PROVINCIAL AUDITOR
*of Saskatchewan*

November 19, 2012

The Honourable Dan D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my 2012 Report – Volume 2, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Bonnie Lysyk

Bonnie Lysyk, MBA, CA
Provincial Auditor

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# Reflections

When people think of the work of the Provincial Auditor's Office, I suspect some may think that our work only involves checking the books and accounting records of the Government and agencies in the public sector. While this is true for our audit of the Public Accounts (Chapter 1) and for a large part of our work where we conduct financial statement audits, our work for the Legislative Assembly takes us beyond just numbers. As part of our integrated audit work, we also look at internal controls, information technology (IT) controls, and compliance with financial-related legislation (Chapters 2 to 26).

As well, our Office works throughout the public sector reviewing selected processes and programs to see how well they are working and assessing whether a better level of service can be provided for the money spent. We highlight potential risks and identify where improvements are needed. We also comment on whether agencies' work is aligned with their plans, strategies, legislation, regulations, and policies. Performing this work and reporting the results to the Legislative Assembly and the people of Saskatchewan is an important part of our mandate. Last, but not least, we conduct specific "IT-focused" audits (Chapters 27 to 54).

Since our last public report in June 2012, we have completed audits of many agencies covering many subjects. I would like to highlight some of our observations under four themes:

1. Protecting Saskatchewan Residents
2. Protecting the Environment
3. Financial Oversight and Accountability
4. Protecting Information Technology

## Protecting Saskatchewan Residents

- **Much of the Meat for Sale in Saskatchewan is Inspected. However, Meat from 76 Slaughter Plants is Not Inspected Before Sale to the Public** (Chapter 33) - Unlike all other provinces in Canada, responsibility for meat safety is split between two ministries. The Ministry of Health is responsible for overseeing the annual inspections of 76 slaughter plants conducted by regional health authorities. It needs to do a better job setting out detailed sanitation standards, following up on plants that are at increased risk of producing unsafe meat, and verifying that problems identified in these plants are fixed in a timely manner. While the plant itself is inspected, the meat from these 76 slaughter plants is not inspected before it is sold to the public and the Ministry does not track the volume of meat handled by these plants. We recommended that the Government assess the risks involving meat in the food supply and consider updating its regulations accordingly.

  Slaughter plants that handle larger volumes of meat may choose to be under the Ministry of Agriculture's more in-depth voluntary inspection program. Agriculture's inspections include the meat itself as well as the slaughter process and the plant. Overall, we found that Agriculture has good processes to oversee the safety of meat from the 11 plants that it inspects. Agriculture relies on inspectors contracted from the Federal Government to carry out ongoing inspections in these 11 plants. In June 2011, the Federal Government announced that, after December 2013, it will no longer provide these services. Agriculture needs to ensure that it has appropriate processes in place for regulating these plants after December 2013.

If a slaughter plant produces meat for interprovincial or international trade, it must be inspected under a federal program. There are three (major) plants in Saskatchewan that will continue to be federally inspected.

- **The Ministry of Education Needs to Provide More Coordination and Oversight to Support School Divisions in Transporting Students Safely – School Divisions Need to Monitor the Performance of Contractors** (Chapter 36) – The primary goal of school transportation is to transport students safely. Saskatchewan's 28 school divisions transport as many as 74,000 students every day, using about 3,400 school buses and 50 school vans. The Ministry provides grants to school divisions of about $110 million annually to transport students and is responsible for overseeing school divisions.

  We assessed school divisions' processes for transporting students and the Ministry's related processes. The Ministry needs to oversee that school divisions transport students safely and use money efficiently and effectively. It also needs to provide school divisions with guidance on what the law requires and on managing transportation risks including driver performance. Most school divisions we examined did not have complete strategies to address risks for safely transporting students. As well, school divisions using contractors did not monitor those contractors' compliance with current legislation and regulations. The Ministry also needs to address inconsistencies across school divisions in the following areas: the use of 15-seat passenger vans, transportation of pre-school age children, and the minimum busing distance for children. We recommended that the Ministry work with school divisions and provide them with guidance on the type of reporting that school boards should receive to help them supervise the safe transportation of students.

- **The Ministry of Health Needs to Monitor Whether Personal Care Homes Act Promptly to Correct Problems Identified During Ministry Inspections** (Chapter 34) - Saskatchewan has about 245 licensed personal care homes. These are privately-owned facilities providing accommodation, meals, and personal care to approximately 3,200 elderly residents. The Ministry of Health needs to perform more frequent and unannounced inspections of high-risk personal care homes. When problems are identified through inspections, the Ministry needs to follow up sufficiently to ensure these problems are addressed. Some personal care homes repeatedly do not fix problems on a timely basis. We noted instances where problems identified through inspections continued for more than two years. The Ministry needs a tracking system to effectively monitor inspection dates, non-compliance, required actions, and deadlines for when owners/operators need to complete their required actions. We recommended that the Ministry publicly report inspection results when personal care homes do not comply with *The Personal Care Homes Act, 1991*.

- **Five Hills Regional Health Authority Needs to Improve its Processes to Ensure that Nourishing and Safe Food Services are Provided to Residents of its Long-term Care Facilities** (Chapter 28) - Nutrition in long-term care facilities has a significant impact on the quality of life for residents and on health care costs. We assessed whether Five Hills provided nourishing and safe food services in its seven owned and three affiliated long-term care facilities. We found that Five Hills could not always ensure that residents receive nourishing and safe food services. It needs to ensure that its menus follow Canada's Food Guide and are reviewed by a registered dietician. It also needs to track and review residents' dietary needs on an ongoing basis, and ensure that meals are served on time and at the appropriate texture and temperature. In addition, Five Hills needs to update its regional dietary policy manual, provide timely meal-time assistance to residents, monitor affiliate food costs, develop procedures for documenting and addressing complaints, and regularly survey residents and their families for satisfaction with food services.

**The Ministry of Health Lacks Substantial Information to Know Whether People with Diabetes Receive Care Consistent With Provincial Standards - It Needs an Actionable Workplan to Address Diabetes Management and Diabetes Related Health Complications** (Chapter 32) - Diabetes is a chronic disease that has a huge impact on people's lives. The Canadian Diabetes Association estimates that there are currently 75,000 Saskatchewan people living with diabetes and that this number will increase to 110,000 by 2020. How well the Ministry of Health and regional health authorities manage care for people with diabetes influences the very serious health complications that diabetes can cause. Early detection and management of the disease's progression reduces the risk of developing serious complications.

Although the Ministry has adopted appropriate standards for good diabetes care, it does not have a strategy for how it will achieve compliance with those standards. The Ministry has been engaged in diabetes prevention planning for over 15 years. Now the Ministry needs to implement an actionable work plan for the management of diabetes and diabetes-related health complications. It has set an improvement target that 80% of people with chronic disease (including diabetes) should be receiving care consistent with provincial standards by 2017. However, the Ministry lacks crucial information. The Ministry does not know if people with diabetes are aware of and receive the recommended care that could reduce their risk of complications, and it does not know if recommended care is delivered effectively and consistently across the province. As well, it does not track the full cost of healthcare for people with diabetes. Two regional health authorities that we examined do not know if their programs are effective because of the absence of an overall provincial strategy for diabetes management and the lack of adequate information about people with diabetes.

## Protecting the Environment

**The Ministry of the Economy Needs to Do a Better Job of Managing Risks Associated with Cleaning Up Oil and Gas Wells** (Chapter 31) - Saskatchewan's oil and gas industry is a major contributor to the provincial economy. In the 2011-12 fiscal year, the Ministry of the Economy collected $1.7 billion from oil and gas royalties and land rights sales. Oil and gas development does not come without financial and environmental costs. Protection of the environment for future generations is also important.

The Ministry currently estimates that the future environmental cleanup costs of existing oil and gas wells and their associated facilities could total $3.6 billion. While owners of wells and facilities are responsible for their cleanup, there is a risk that taxpayers will end up paying for some of these cleanup costs.

The Ministry has established a number of programs to help manage the financial and environmental risks related to well and facilities cleanup; however, more needs to be done to effectively manage these risks. The Ministry needs to improve its planning and estimate the resources and skills it will require to effectively deliver its programs. It needs to use more up-to-date data and analysis to manage, monitor, assess, and report the financial and associated environmental risks related to the future cleanup of orphan, legacy and inactive oil and gas wells and related facilities. It also needs to improve public reporting on the effectiveness of its programs in this area. Only 10 orphaned wells (the Ministry estimates there could be 700 orphaned wells in Saskatchewan) have been cleaned up in the last two years. As well, the number of inactive wells in Saskatchewan is growing. The Ministry needs to assess what steps are needed to encourage timely clean up of inactive wells and facilities by licensees. Also, the Ministry needs to improve the estimate of its costs to clean up orphan wells and facilities and legacy wells. It currently estimates its costs for the cleanup of orphan wells and facilities to be $26 million.

Because the Ministry is responsible for both promoting development of oil and gas, and protecting the environment and the public from the impact of this development, it needs to actively mitigate the risks that result from its dual, potentially conflicting, roles.

- **Emergency Preparedness Plans for Major Dams Need Testing (Gardiner, Qu'Appelle River, Rafferty and Alameda)** (Chapter 41) - Two recommendations remain outstanding from our 2005 audit on Dam Safety. We found that the Saskatchewan Watershed Authority still needs to complete an emergency preparedness plan for the Qu'Appelle River dam. The Authority intends to complete this plan by March 31, 2013. The Authority still needs to test the emergency preparedness plans for each of its four major dams to ensure that each plan is sufficient to protect people and property. As well, the Authority needs to complete a number of dam safety manuals documenting procedures for operations, maintenance, and surveillance of dam safety.

## Financial Oversight and Accountability

- **Government Uses Two Sets of Books - Auditor's Opinion Qualified on the General Revenue Fund (GRF)** (Chapter 1) - While citizens in the rest of Canada hear their government's finances discussed in their provinces in much the same way (based on Summary Financial Statements), the Saskatchewan Government continues to speak to "two sets of books"–the GRF Financial Statements and the Summary Financial Statements–to people in Saskatchewan. The Government refers to either one or the other depending on the message it wants to send to the public regarding the state of its finances. Unfortunately, the Government most often refers to the GRF Financial Statements when discussing balancing the budget and debt.

My audit opinion on the GRF Financial Statements is "qualified". This means that these statements are materially wrong and misleading because they are not prepared following generally accepted accounting principles used in Canada. Instead, they are calculated using "creative accounting rules" that are embedded in outdated legislation, in comparison to other provinces. When the Government refers to the GRF Financial Statements, it does not discuss the qualifications. Pension liabilities of $6.12 billion are not included in these statements. This omission would be similar to a private sector company not including in its financial statements all relevant information for its shareholders such as the financial results of a mine it owns that is losing money.

Proper accounting is an important way in which Government can make its decision making more transparent. As well, a focus on the Summary Financial Statements—and budgets prepared on the same basis—would enable the public to see the impact of the Government's decisions on the whole of Government.

The technical aspects of Saskatchewan's Public Accounts are not easy to write about in a clear and concise way. However, my Office will strive to provide the Legislative Assembly and the public with a clear understanding of why the Government's use of the GRF to explain its finances is both poor practice and misleading. Early next year, we plan to issue a separate report focused on the importance of clear and transparent provincial financial statement budgeting and reporting.

- **School Division Loans Need to Be Recorded in Government's GRF Financial Statements and the Ministry of Education's Annual Report** (Chapter 5) - In October 2012, we became aware that the Ministry of Education had provided at least $31 million in loan guarantees for capital projects to certain school divisions. For the year ended March 31, 2012, the Ministry of Education's and the Government's General Revenue Fund's expenses and liabilities were understated by at least $31 million. During the next six months, we will be reviewing the substance of school division loans to determine if additional promises exist and if additional liabilities should be recorded. School division loans were $74.5 million as of March 31, 2012.

- **Public Money Continues to be Spent without a Proper Plan in Place for the Electronic Health Record System** (Chapter 45) - eHealth Saskatchewan is responsible for planning and implementing a provincial electronic health record system (EHR). EHR consists of individuals' health records designed to be accessed on-line by users from separate, comparable systems. In 2009, the Ministry of Health planned to have the EHR available for use by 2014 at a cost of $600 million. By March 31, 2012, eHealth had spent $415 million on the EHR system and estimated it to be only about 30% complete. eHealth needs to establish a plan that provides an updated estimate of the total cost to complete the EHR, as well as a timeline for when it will be ready for use. Development of the EHR began back in 1997. Without a proper plan in place, it is impossible to determine whether money being spent on the EHR system is being used effectively.

## Protecting Information Technology (IT)

- **The Ministry of Justice (Justice) Needs to Improve its Controls Over Offender Data in the Corrections Management Information System (CMIS)** (Chapter 27) – CMIS tracks offenders in provincial correctional facilities and within the community. As of June 2012, the Saskatchewan correctional system was responsible for 8,160 offenders: 1,623 in custody and 6,537 under community supervision. Provincial correctional facilities hold offenders sentenced to periods in prison of less than two years, and remanded offenders. CMIS is critical for the management and transporting of offenders. It tracks release dates for offenders. If this information is not accurate, offenders may be released from prison at the wrong time.

  We found that Justice needs to improve its controls for maintaining the integrity of offender data in CMIS. It needs to establish security requirements for CMIS data, remove unnecessary user access to CMIS on a timely basis, and have staff who access CMIS sign confidentiality agreements. Justice also needs processes to review the accuracy of all CMIS data entry and approve a risk-based plan for verifying that CMIS data is accurate. Our recommendations should also be considered for the new system that Justice plans to implement in 2014.

- **Progress Being Made on Recurring IT Audit Recommendations** (Chapters 2 to 26) - During our annual integrated audits, a considerable amount of our work involves reviewing IT controls in various agencies. Over the past number of years, there have been recurring IT weaknesses. This year is no exception. However, we see progress being made in addressing them. Recommendations are contained within various agency chapters in this report.

- **IT Improvements Needed by the Information Technology Office (ITO) and the Saskatchewan Indian Gaming Authority Inc. (SIGA)** – We also carried out detailed examinations of IT: Chapter 29 – ITO Annual Security Audit and Chapter 35 - SIGA IT Threat and Risk Assessment Processes. The ITO needs to do more work to protect client systems and data. SIGA needs to strengthen its IT threat and risk assessment processes.

## Audit Follow Up Work

We follow up past recommendations, agreed upon by the Standing Committee on Public Accounts or the Standing Committee on Crown and Central Agencies, to ensure that proper action is taken to address issues. For this report, we conducted follow-up work on recommendations from 18 previous performance and information technology (IT) audits (Chapters 37 to 54).

The following agencies implemented all of their recommendations in the following subject areas:

- Ministry of Agriculture–Pesticide Regulation (Chapter 37)
- Saskatchewan Crop Insurance Corporation–Security Awareness (Chapter 38)
- Ministry of the Economy (Public Service Commission)–Developing Leaders (Chapter 39)
- Financial and Consumers Affairs Authority–Processes to Investigate Complaints (Chapter 50)
- Saskatchewan Liquor and Gaming–Monitoring Charitable Gaming on Reserves (Chapter 53)
- Ministry of Social Services–Securing Physical Information (Chapter 54)

## Acknowledgements

I would like to thank the many individuals who work in government agencies for assisting us in doing our job. I would also like to acknowledge the assistance of the appointed auditors who worked with us over the past six months.

Finally, I would like to thank my staff for their professionalism and hard work that went into this report. I appreciate their dedication and belief in the work of our independent Office. Their names follow this acknowledgement.

As an Office, we remain focused on serving the Members of the Legislative Assembly, the Members of the Standing Committee on Public Accounts and the people of Saskatchewan.

Bonnie Lysyk

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Provincial Auditor

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# Chapter Highlights

## PUBLIC ACCOUNTS– 2012 AUDITOR'S REPORTS

### Chapter 1 Public Accounts—2012 Auditor's Reports

This chapter reports the results of our annual audit of the financial statements of the Government of Saskatchewan, the Summary Financial Statements, and our annual audit of the General Revenue Fund (GRF).

The 2012 Summary Financial Statements are reliable. The 2012 financial statements of the GRF are not reliable—they contain significant, material errors. When calculated in accordance with Canadian generally accepted accounting principles (Canadian GAAP), the GRF incurred a deficit of $46 million instead of a surplus of $352 million.

Saskatchewan is the only province in Canada to use the General Revenue Fund for communicating to the public about balanced budgets and for reporting on the financial results of the Government. As this continues to be an increasingly significant issue, we plan to issue a separate report early in 2013 on this matter.

## ANNUAL INTEGRATED AUDITS

### Chapter 2 Advanced Education

Effective May 25, 2012, the Ministry of Advanced Education, Employment and Immigration became the Ministry of Advanced Education (Advanced Education). On that date, the employment and immigration programs moved to the Ministry of the Economy.

Advanced Education and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2012 financial statements of Advanced Education's funds and agencies are reliable. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the following where Advanced Education needs to:

- Strengthen the governance and accountability of regional college boards to ensure they fulfill their responsibilities under *The Regional Colleges Act*
- Improve information technology (IT) processes to promptly remove user access, prepare an IT strategic plan, sign an adequate agreement with the Information Technology Office on disaster recovery of computer systems and data, and monitor the effectiveness of the Information Technology Office's security controls to protect Advanced Education's computer systems and data

- Sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety to avoid misunderstandings

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## Chapter 3

## Agriculture

The Ministry of Agriculture (Agriculture) and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, borrowing and investing. The 2011-12 financial statements of each agency are reliable.

During 2011-12, Agriculture and its agencies had adequate rules and procedures to safeguard public resources except for the recommendations described in this chapter. Most importantly, Agriculture needs to make further improvements in its processes used to make financial estimates for farm stability programs. Agriculture needs to base these financial estimates on the most current information available. Also, more work is required by Agriculture to ensure its key computer systems are available for use by implementing disaster recovery plans.

## Chapter 4

## Corrections and Policing

Effective May 25, 2012, Corrections and Policing became part of the Ministry of Justice, and Public Safety became part of the Ministry of Government Relations.

The Ministry of Corrections, Public Safety and Policing (Ministry) and its related funds complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The financial statements of the Correctional Facilities Industries Revolving Fund and the Sask911 Account are reliable for the year ended March 31, 2012. The Ministry's related funds have effective rules and procedures, but the Ministry needs to improve its rules and procedures to safeguard public resources. The Ministry needs to:

- Follow its policies and procedures for paying amounts owed to employees
- Establish written policies and procedures for making timely payments to First Nations for policing services
- Adequately monitor the security of its information technology systems and data, and complete its business continuity plan

The chapter also provides an update on the status of recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 5

## Education

The Ministry of Education (Education), the Technology Supported Learning Revolving Fund, the School Division Tax Loss Compensation Fund, the Prince of Wales Scholarship Fund, the

Teachers' Superannuation Plan and the Teachers' Disability Plan, complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The financial statements of the Teachers' Superannuation Plan and Education's funds for the year ending 2012 are reliable.

Education, Teachers' Superannuation Plan, and Teachers' Disability Plan had effective rules and procedures to safeguard public resources except for the following:

- Education needs to enter into written agreements with school divisions setting out the terms and conditions of its capital grants and properly record them in its financial records
- Education needs to improve information technology (IT) processes to promptly remove user access, prepare an IT strategic plan, sign an adequate service level agreement with the Information Technology Office, and monitor the effectiveness of the Information Technology Office's security controls to protect Education's computer systems and data

In addition, in October 2012, we became aware that Education had provided at least $31 million in loan guarantees for capital projects to certain school divisions. For the year ended March 31, 2012, Education's and the General Revenue Fund's expenses and liabilities were understated by at least $31 million.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 6

## eHealth Saskatchewan

eHealth Saskatchewan's (eHealth's) 2012 financial statements are reliable, it complied with its governing authorities, and had effective controls to safeguard public resources except for the following.

eHealth needs to authorize all requests for changes to accounting records on a timely basis. Lack of review and approval increases the risk of fraud and errors without timely detection.

eHealth needs to improve its information technology security. Without strong security processes, eHealth cannot ensure the confidentiality, integrity, and availability of its own information technology systems and data, or systems and data that it operates and maintains for the regional health authorities.

## Chapter 7

## Energy and Resources

The Ministry of Energy and Resources (Ministry) and its special purpose funds (the Oil and Gas Orphan Fund, the Institutional Control Monitoring and Maintenance Fund, and the Institutional Control Unforeseen Events Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the 2012 financial statements of its three special purpose funds are reliable.

The Ministry and its special purpose funds had effective rules and procedures to safeguard public resources except that the Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data. See Chapter 7 for a further exception.

Effective May 25, 2012, the Ministry's activities continue within the Ministry of the Economy.

## Chapter 8 Environment

The Ministry of Environment (Environment) and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2012 financial statements of Environment's agencies are reliable.

We made one new recommendation that Environment should comply with its policies for all purchases. It is important that employees understand the established policies and the importance of following those policies.

Environment has made some progress in addressing our past recommendations. However, Environment still needs to establish adequate processes to secure its systems and data, enter into an adequate agreement with the Information Technology Office, and prepare a complete business continuity plan.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 9 Finance

The Ministry of Finance (Finance) and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2012 financial statements of the agencies are reliable. Finance and its agencies had effective rules and procedures to safeguard public resources except for the items noted in this chapter.

Finance receives and records corporate income tax revenue for the Province. It also administers the corporate capital tax program including the resource surcharge revenues. Finance needs to improve the processes it uses to record both corporate income tax and resource surcharge revenues so that revenue is recorded in the proper period.

Finance did not receive sufficient information to monitor its information technology systems. It continued to work with the Information Technology Office to obtain better information. Also, Finance did not follow its processes to remove unneeded user access to its information technology systems and data.

Finance had not yet set market-based benchmarks for its sinking fund investments to help it evaluate whether it earned an effective return on these investments. It also had not yet completed the documentation of its treasury management procedures.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 10 Health

This chapter reports the results of our annual audit of the Ministry of Health (Health) and some of its agencies. We report that Health and its agencies complied with authorities governing their activities relative to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing. Health agencies reported in this chapter had reliable 2012 financial statements. Health and its agencies had effective rules and procedures to safeguard public resources except Health needs to improve its processes in the following areas:

Health did not always comply with tendering processes required by the *Financial Administration Manual* when entering into contracts for services. The lack of documented due diligence and the lack of consideration of alternatives increases the risk that decision makers may not have all relevant information about other innovative and financially competitive proposals.

Health does not seek confirmation from patients receiving medical services from doctors. Verifying doctor services could help ensure that doctors bill Health correctly, and could help Health recover any incorrect billing.

Health uses third party agencies to deliver health services on its behalf. Health has a process to assess the risk that these agencies may not spend money for the intended purposes. Agencies assessed as high risk should be monitored more closely. Health has not made this risk assessment for a number of years.

## Chapter 11 Health Quality Council

The Health Quality Council (HQC) had effective rules and procedures to safeguard public resources except that it paid $91,049 for goods and services (LEAN-related initiatives) that it did not request and receive. HQC's 2012 financial statements are reliable and it complied with its governing authorities.

## Chapter 12 Highways and Infrastructure

During 2011-12, the Ministry of Highways and Infrastructure (Highways) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2011-12 financial statements of the Fund are reliable.

Highways had effective rules and procedures to safeguard public resources except that it needs to follow its procedures to promptly remove access of former employees to its computer network. Following these procedures would help Highways ensure that only authorized individuals have access to its computer systems and data.

While Highways has addressed one of our past recommendations and improved its service level agreement with the service provider for the Highway Hotline, it continues to need a better agreement with the Information Technology Office (ITO). Without a better agreement, Highways does not know if its data is secure or whether ITO could restore its key systems and data in the event of a disaster.

Highways needs to follow its procedures for processing time cards of terminated employees. It is difficult to recover overpayments from individuals who have left the employment of the ministry. By not following these procedures, Highways is at a greater risk of making unrecoverable overpayments.

This chapter also contains a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 13

## Information Technology Office

The Information Technology Office (ITO) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

ITO had effective rules and procedures to safeguard public resources except that it needs to:

- Follow its established procedures to ensure ITO user access is removed in a timely manner
- Sign adequate agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements
- Prepare accurate and complete year-end financial reports as required by the *Financial Administration Manual*

Effective May 25, 2012, ITO became part of the Ministry of Central Services. The Ministry of Central Services brings together a number of central service functions of government, including government services, the Information Technology Office, and the Public Service Commission.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 14

## Labour Relations and Workplace Safety

The Ministry of Labour Relations and Workplace Safety (Ministry) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Ministry has improved some of its processes to effectively safeguard public resources. However, more work remains. The Ministry needs to:

- Follow established procedures for removing user access to its computer systems and data in a timely manner
- Sign a shared service agreement with the Ministry of Advanced Education addressing various services provided to the Ministry

- Define requirements of the Information Technology Office (ITO) in regards to disaster recovery of computer systems and data, as well as the information required by the Ministry to assess the effectiveness of ITO's security controls protecting the Ministry's computer systems and data

## Chapter 15 Municipal Affairs

Effective May 25, 2012, the Ministry of Municipal Affairs (Municipal Affairs) became part of the Ministry of Government Relations.

Municipal Affairs complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Municipal Affairs had effective rules and procedures to safeguard public resources except that Municipal Affairs did not make certain that user access to its information systems for its former employees was removed promptly. Promptly removing unneeded user access reduces the risk of unauthorized access to Municipal Affairs' information systems and data.

## Chapter 16 North Sask. Laundry & Support Services Ltd.

We have not completed our audit work because North Sask. Laundry & Support Services Ltd. (NSL) has not yet prepared its financial statements for the year ended March 31, 2012. However, we have performed sufficient work to report the following matters relating to NSL's controls.

NSL needs to establish policies and procedures to ensure all amounts recorded in its accounting records are adequately supported. Also, NSL needs to approve all changes to its accounting records and reconcile bank balances to the accounting records on a timely basis. Reconciling bank balances helps ensure that all transactions have been recorded and that accounting records are accurate.

The Board needs to receive timely and reliable interim and year-end financial reports. Incorrect and incomplete financial information could result in incorrect and inappropriate decisions. The Board also needs to monitor whether senior management and staff follow established rules and procedures. We will report the final results of our audit in a future report.

## Chapter 17 Parks, Culture and Sport

Effective May 25, 2012, the Ministry of Tourism, Parks, Culture and Sport became the Ministry of Parks, Culture and Sport (Parks) and some responsibilities were transferred to the Ministry of the Economy.

Parks and its agencies had effective controls to safeguard public resources and complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending borrowing, and investing. Parks' agencies' financial statements for the year ended March 31, 2012 are reliable.

Parks has not yet renewed its agreement with its lotteries marketing agent. Parks plans to amend the new agreement to require the lotteries marketing agent to make payee lists available to the Ministry.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 18
## Regina Qu'Appelle Regional Health Authority

The Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Its financial statements for the year ended March 31, 2012 are reliable.

Regina Qu'Appelle had effective rules and procedures to safeguard public resources except that it needs to establish an internal audit function, strengthen its information technology security, establish and test a disaster recovery plan, improve its human resource planning, and develop a capital equipment plan.

## Chapter 19
## Regional Health Authorities

This chapter reports the results of our annual audits for 10 regional health authorities (RHAs). In Chapters 18 and 23, we report the results of our annual audits for Regina Qu'Appelle RHA and Saskatoon RHA respectively.

Heartland, Cypress, and Mamawetan Churchill RHAs continue to make progress towards strengthening their processes. Keewatin Yatthé, Prairie North, and Prince Albert Parkland RHAs have not yet addressed some of the recommendations we first made three years ago. These recommendations relate to controlling bank accounts and protecting information technology systems and data. Kelsey Trail, Five Hills, Sun Country and Sunrise RHAs have effective controls to safeguard public resources.

Most RHAs complied with authorities governing their activities and all RHAs had reliable 2012 financial statements.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 20
## Saskatchewan Indian Gaming Authority Inc.

The Saskatchewan Indian Gaming Authority Inc. (SIGA) needs to better protect its information technology (IT) systems and data including: approving a complete IT strategic plan, preparing a complete disaster recovery plan and assessing the need for a business continuity plan. SIGA also needs to strengthen its human resource plan by including a projection of its future human resource needs. This information would allow SIGA to focus its efforts to carry out its strategic plan.

SIGA's 2012 financial statements are reliable and it complied with the authorities governing its activities.

This chapter includes a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 21 Saskatchewan Liquor and Gaming Authority

The Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming's) 2012 financial statements are reliable. Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

This chapter includes two new recommendations for Liquor & Gaming to strengthen its rules and processes to safeguard public resources. First, Liquor & Gaming needs to implement an enterprise risk framework to help mitigate risks within the organization. Second, Liquor & Gaming needs to monitor the expenses of the Saskatchewan Indian Gaming Authority on a timely basis to ensure expenses were incurred for appropriate business purposes.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 22 Saskatchewan Watershed Authority

The Saskatchewan Watershed Authority (Authority) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the Authority's 2012 financial statements are reliable.

The Authority had effective rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan. During the year, the Authority implemented two recommendations we made in 2011.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 23 Saskatoon Regional Health Authority

In this chapter, we report that Saskatoon Regional Health Authority's (Saskatoon RHA's) 2012 financial statements are reliable, it complied with its governing authorities, and had effective controls to safeguard public resources except for the following matters.

Saskatoon RHA needs to establish key security policies to reduce the risk of unauthorized access to or loss of systems and data. Also, Saskatoon RHA does not yet have a complete and tested disaster recovery plan.

Saskatoon does not have a comprehensive long-term capital equipment plan. Capital equipment plans help to reduce the risk that capital assets are not in good working order when required or are not being effectively utilized.

We also examined Saskatoon RHA's process for selecting the location of the new Children's Hospital of Saskatchewan (Hospital). We found that Saskatoon RHA used a reasonable process to select the site for the new Hospital. However, it did not have a transparent process to select members of the committee that helped its Board of Directors in making this decision.

## Chapter 24 Social Services

In this chapter, we report that the Ministry of Social Services' (Ministry's) special purpose funds had reliable 2012 financial statements. Also, the Ministry complied with authorities governing its activities and it had effective rules and procedures to safeguard public resources except it needs to improve its processes in the following areas.

The Ministry provided capital funds to a community-based organization (CBO) for the construction of a proposed foster home without thoroughly performing and documenting all necessary steps and decisions. The Ministry gave money to the CBO without ensuring that the CBO could provide the intended services. As a result, the Ministry lost public money totalling $416,610. The Ministry should improve its due diligence and documentation in the future.

Also, the Ministry did not record all payments to the CBO in its financial records. The Ministry needs to provide guidance to staff to ensure all transactions are recorded properly in the Ministry's financial records.

The Ministry must follow its processes to ensure all children who are the responsibility of the Minister receive proper care and protection. The Ministry needs to monitor quality assurance results, establish increasing and achievable targets for compliance with child protection standards, and work to achieve those targets. The Ministry also needs to continue to work with the First Nation Child and Family Services agencies to receive all of the information it needs to monitor the well-being of children in care. The Ministry should align frequency of reviews at the First Nation Child and Family Services agencies with the frequency of reviews conducted in its own service areas so that all children are afforded the same level of care.

The Ministry needs to improve its processes to ensure only eligible individuals receive social assistance and that they receive the correct amount of assistance. To help it do so, the Ministry should provide training and guidance to its employees so they understand the established policies and the reasons for those policies.

The Ministry also needs to perform timely reviews on all the performance information submitted by the CBOs to assess if they are achieving the Ministry's operational objectives. Also, it needs to sign an adequate agreement with the Information Technology Office (ITO), monitor the effectiveness of ITO's security, and complete the Ministry's business continuity planning and testing.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Chapter 25 Teachers' Dental Plan

The Teachers' Superannuation Commission (Commission) complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the need for adequate support for dental payments.

The Commission had effective rules and procedures to safeguard public resources except the Commission needs to:

- Implement processes to monitor its dental agreement with the insurance provider and have adequate support for dental payments
- Establish guidance for preparing financial reports of the Dental Plan and include these financial statements in its annual report

The Commission has made some progress to address these issues. However, more work remains.

In this chapter, we continue to make four recommendations so legislators and the public receive accurate information about the Plan.

## Chapter 26 University of Regina

The University of Regina's (University's) accountability to the public is strengthened through our Office's reporting of its annual audit results.

The financial statements of the University, its Pension Plans, and its Master Trust for the years ended on or before April 30, 2012 are reliable. The University, its Pension Plans and Master Trust complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The University had effective rules and procedures to safeguard public resources.

# PERFORMANCE AND INFORMATION TECHNOLOGY AUDITS

## Chapter 27 Control over Offender Information and Release Dates

The Ministry of Justice (Justice) uses the Corrections Management Information System (CMIS) to track and manage offenders in provincial correctional facilities and in the communities. Provincial correctional facilities are used to hold offenders sentenced to periods in prison of less than two years and remanded offenders. This chapter describes our audit of Justice's controls to maintain its integrity of offender data in CMIS. Justice relies on offender information in CMIS being accurate and complete to ensure the safety of both the offenders and those charged with their care. CMIS is also used for allowing offenders to exit correctional facilities. If this information is not correct, offenders may be released from jail at incorrect times.

For the period January 1, 2012 to August 31, 2012, we found Justice did not have effective controls for maintaining the integrity of offender data in CMIS. The Ministry had not established security requirements for CMIS data, did not remove unnecessary user access to CMIS on a timely basis, and did not have all staff that access CMIS data sign confidentiality agreements. As a result, an unauthorized person could obtain confidential offender information or inappropriately modify offender data. Justice should also have processes to review the accuracy of all CMIS data entry and approve a risk-based plan for verifying that CMIS data is accurate. These process improvements are needed to mitigate the release of offenders from correctional facilities at the wrong time.

As of May 25, 2012, two ministers are jointly assigned the administration of *The Correctional Services Act*—the Minister responsible for Corrections and Policing, and the Minister of Justice and Attorney General.

## Chapter 28 Five Hills Regional Health Authority—Nourishing and Safe Food Services in Long-Term Care Facilities

Under *The Regional Health Services Act*, Five Hills Regional Health Authority (Five Hills) is responsible for the delivery of health care in its health region. This includes long-term care which is delivered in facilities either owned and operated by Five Hills or its affiliates who receive funding to provide services to Five Hills. There are currently 536 long-term care beds in Five Hills.

Our audit for the period January 1, 2012 to July 31, 2012, found that Five Hills' processes could not always ensure that nourishing and safe food services were provided to residents of its long-term care facilities. We made 11 recommendations. Five Hills did not have its menus reviewed to ensure compliance with Canada's Food Guide. It did not have a standard system for tracking individual dietary needs, or for periodically reviewing those needs. Meals were not always served at appropriate temperatures and textures, and records of meals served were not reviewed by registered dietitians. Also, Five Hills did not conduct quality assurance reviews of its long-term care food services.

Additionally, Five Hills can improve long-term care food services by updating its policy and procedures manual, providing timely mealtime assistance to residents, monitoring affiliate food costs, developing procedures for documenting and addressing complaints, and regularly surveying residents and their families for satisfaction relating to food services.

We encourage other regional health authorities to use the criteria described in this chapter to assess their own processes for providing nourishing and safe food services in their long-term care facilities.

## Chapter 29 Information Technology Office—Annual Security Audit

The Information Technology Office (ITO) provides IT services to over 30 clients. ITO has an agreement with a third party service provider to operate and maintain ITO's network and data centre. The data centre includes computers that host client systems and data. ITO needs to have effective controls and ensure its service provider follows effective security processes to protect client systems and data.

ITO needs to do more to protect client systems and data, such as:

- Complete IT security standards for its clients
- Monitor whether the service provider meets all security requirements
- Provide relevant and timely security reports to clients
- Adequately restrict user access to client systems and data
- Adequately configure and update its server and network equipment
- Have a complete and tested disaster recovery plan for the data centre and clients systems

Without effective central controls, there is greater risk of inappropriate access or changes to systems and data and greater risk that systems and data will not be available when needed.

Effective May 25, 2012, ITO became part of the Ministry of Central Services. As a result, the Ministry of Central Services became responsible for information technology for the Government of Saskatchewan.

## Chapter 30 Internal Audit in Ministries

Internal audit is an important component of sound governance for public sector organizations. Internal audit provides value to governing bodies and senior management by providing an objective source of independent advice.

The Government of Saskatchewan funds a minimum of 30 internal audit positions in six ministries at an estimated cost of $2 million. Government ministries in Saskatchewan are not legislatively required to have an internal audit function. The decision of whether to have an internal audit function is left to each ministry. The Ministry of Health and the Ministry of Education, which make up a significant portion of government spending, do not have their own internal audit function.

We evaluated whether six internal audit functions followed best practices—the Standards set by The Institute of Internal Auditors (IIA). We found that internal audit in ministries often focuses on financial transactions rather than on key ministry risks, financial or otherwise. While we observed some good practices, we found many areas where internal audit did not comply with the IIA Standards.

Based on the result of our assessments, we believe that improvements are needed to ensure that value for money is achieved through effective internal audit work. We note that many provinces have a centrally-coordinated internal audit function and we suggest that the Ministry of Finance evaluate centralization and other models for use in Saskatchewan. Our first recommendation on this point should be considered prior to the Ministry addressing the other recommendations. This chapter contains seven recommendations to improve internal audit.

# Chapter 31 Managing the Risks and Cleanup of Oil and Gas Wells

Saskatchewan's oil and gas industry is a major contributor to the provincial economy. In 2011, it contributed $12.7 billion in oil and gas sales and employed 33,200 person years in direct and indirect employment.

Oil and gas development does not come without financial and environmental costs. The Ministry of the Economy (Ministry) currently estimates that the overall future environmental cleanup costs of existing oil and gas wells and facilities could total $3.6 billion. The owners of the wells and facilities (licensees) are responsible for the cleanup of their wells and facilities. The Ministry is responsible for ensuring licensees properly handle the cleanup. If the licensees fail to clean up their wells and facilities, the costs of the cleanup could potentially fall on Saskatchewan residents. As of July 31, 2012, Saskatchewan had 87,000 oil and gas wells and 5,300 facilities. The Ministry estimates that there are potentially 700 wells and facilities where the licensees have ceased to exist or no longer can be located. As well, over 5,800 wells have been inactive for over 10 years or more.

The Ministry's mandate includes both promoting the development of the oil and gas industry and regulating the industry on environmental matters. Accordingly, there is a potential risk of an imbalance between the Ministry's two roles. For example, there is a risk that the Ministry's efforts to develop the industry may override its efforts to protect the environment. In the 2011-12 year, the Ministry collected $1.7 billion from oil and gas sales and land rights sales.

The objective of our audit was to assess whether the Ministry had effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities. We concluded that, as of September 30, 2012, the Ministry did not have effective processes.

To effectively manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and facilities, the Ministry needs to:

- Assess and allocate the resources and skills needed to manage the future cleanup
- Use current trend analysis and estimates to monitor, assess and report on the financial and associated environmental risks
- Manage the financial and associated environmental risks related to the timely cleanup of inactive wells and facilities
- Estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the Government's financial statements
- Report on its effectiveness to the Legislative Assembly and the public in managing the financial and associated environmental risks
- Assess the need for extending its sample of independent audits on the cleanup of well sites and facilities
- Complete its assessment of the financial and associated environmental risks of legacy well sites, assess its liability, and develop a plan to clean up contaminated legacy well sites

In addition, the Ministry needs to:

- Actively mitigate the risks resulting from the Ministry being responsible for both the promotion of the development of the oil and gas industry and for the protection of the environment, property, and the safety of the public

## Chapter 32 Prevention of Diabetes Related Health Complications

In Saskatchewan, the Ministry of Health (Ministry) is ultimately responsible for ensuring that people with chronic diseases, such as diabetes, receive appropriate care. Diabetes is a chronic condition where the body does not produce enough insulin or cannot effectively use insulin to regulate blood glucose (sugar) levels.

The Canadian Diabetes Association estimates that there are currently 75,000 Saskatchewan people living with diabetes, and that this number will increase to 111,000 by 2020. It also estimates that the economic burden of diabetes in Saskatchewan was $257 million in 2000, $419 million in 2010 and will increase to $532 million by 2020. Diabetes-related health complications account for over 80% of diabetes costs. People with diabetes are three times more likely than people without diabetes to be hospitalized at least once during a year, and remain hospitalized five times as many days as people without diabetes. The number of people with diabetes is increasing in the province.

We audited the Ministry's strategies for preventing diabetes-related health complications in the province. As well, we examined how well two regional health authorities (Saskatoon Regional Health Authority and Kelsey Trail Regional Health Authority) translated Ministry strategies into programs for services.

This chapter does not report on the Ministry's efforts to prevent people from developing a chronic disease such as diabetes; rather, it focuses on the Ministry's efforts to help people with diabetes reduce or delay development of serious complications that often result from the disease. The Ministry's target is to reduce the hospitalization rate for treatment of complications from chronic diseases [including diabetes] by 50% by 2017.

With education, support and monitoring, most people with diabetes can manage their condition themselves. Oversight for the delivery of education and support services to people with diabetes should be provided by physicians. Physicians often work in conjunction with either Primary Health Care or Chronic Disease Management branches of the regional health authorities to deliver the services needed.

The Ministry has adopted recognized standards for good diabetes care but has not yet developed and implemented strategies to ensure these standards are achieved. Strategies should have goals, objectives, targets and performance indicators to clearly define performance expectations.

The Ministry does not collect sufficient information related to diabetes. We found the Ministry does not know:

- Who has diabetes in the province
- The full cost of health care for people with diabetes in the province

- If people with diabetes receive all the recommended care that could reduce their risk of developing diabetes-related health complications
- Whether the recommended care is delivered effectively and consistently across the province

Without sufficient information, it is difficult for the Ministry to set strategies or to assess if its strategies will be effective in reducing diabetes-related health complications. Investing in information will enable a better quality of life for people with diabetes and long term savings from effective diabetes management and the prevention or reduction of diabetes-related health complications. The Ministry should make its information about diabetes available to regional health authorities to help them assess the effectiveness of regional program delivery and hold them accountable for their performance.

In addition, the Ministry should periodically report progress in developing and implementing its strategies and achieving its goals and objectives.

We provided the Ministry with 12 recommendations that, if implemented, may contribute to the achievement of the Ministry's target to reduce avoidable hospitalizations for the treatment of chronic diseases.

Overall, we found the two regional health authorities followed best practice standards, delivered programs to reduce diabetes-related health complications and collected some information on their programs. They cannot know, however, if their programs are effective because of two things. First, they have not received current strategic direction from the Ministry and second, there is no centralized information system to collect needed data related to diabetes. Once the Ministry has clarified its strategies and provided a system for analysis of information, regional health authorities may be able to evaluate their progress and assess their alignment with Ministry strategies. They could then provide better, consistent and effective service to people with diabetes.

## Chapter 33 Regulating Meat Safety

Saskatchewan laws allow the sale of meat to customers without the meat being inspected. Almost all Canadian provinces require mandatory inspections of meat as well as of slaughter plants. Also, Saskatchewan is the only Province where the responsibility for meat safety is handled by more than one ministry. Saskatchewan's approach to regulating the slaughter of animals to produce meat for human consumption might be outdated. We recommend that the Government assess the risks related to uninspected meat and consider updating its regulations.

In general, slaughter plants that handle larger volumes of meat choose to have the meat they produce inspected in provincial or federal programs. As a result, much of the meat for sale in Saskatchewan is inspected. Fourteen of Saskatchewan's 90 slaughter plants have an in-depth provincial or federal inspection. These in-depth regular inspections aim to ensure that the meat is safe for human consumption. In-depth inspections examine the animal, the slaughter process, the carcass, the plant including the equipment, and the meat. Farmers voluntarily choose to have their animals slaughtered at plants that are provincially or federally inspected because large retail customers require this inspection before they purchase meat.

The Ministry of Health (Health) oversees regional health authorities whose public health inspectors annually inspect whether or not 76 slaughter plants are sanitary – this slaughter plant inspection is mandatory (with the exception of farmgate operations). This inspection is of the slaughter plant only and does not include meat.

We found that Health needs to improve its processes to oversee the work of regional health authorities that inspect and license the 76 slaughter plants subject to its inspections. Health does not monitor the number of animals slaughtered at these plants, review follow-up reports about slaughter plants assessed as medium to high risk of producing unsafe meat, or verify that regional health authorities promptly re-inspect high-risk plants to ensure deficiencies are corrected promptly.

The Ministry of Agriculture (Agriculture) oversees in-depth inspections in 11 slaughter plants that sell meat more widely within the Province – this in-depth meat and slaughter plant inspection is voluntary. We found that Agriculture had good processes to oversee the safety of meat from the 11 slaughter plants it inspects. We did not examine the processes used at the three plants that the Federal Government inspects.

We make 10 recommendations to strengthen the processes that help keep meat safe in Saskatchewan.

## Chapter 34

## Regulating Personal Care Homes for Resident Health and Safety

The Ministry of Health (Ministry) is responsible for regulating personal care homes in the province. This requires licensing and inspecting of personal care homes. Personal care homes are privately-owned facilities that provide accommodation, meals, and personal care to senior residents. Saskatchewan has about 245 licensed personal care homes.

For the period April 1, 2011 to August 31, 2012, we found the Ministry did not have fully effective processes to regulate personal care homes. The Ministry did not have a formal process for identifying and inspecting high-risk personal care homes more frequently. During April 2011 to April 2012, the Ministry inspected personal care homes about every two years. As a result, the Ministry issued licenses without recently inspecting personal care homes. After April 2012, the Ministry began inspecting or visiting personal care homes every year.

The Ministry documented inspection results but did not have a good system for tracking and following up problems identified during inspections. When problems are identified through inspections, the Ministry needs to follow up with the identified personal care home to ensure that the problems have been sufficiently addressed. We noted instances where problems identified through inspections continued for more than two years. We provided the Ministry with five recommendations, for the Ministry to:

- Use a risk-based approach to inspect high-risk personal care homes more frequently
- Provide guidance for its staff to assist in determining when to conduct unannounced inspections of high-risk personal care homes
- Provide written guidance to staff for consistent and prompt follow-up of personal care homes that do not comply with actions required after inspections
- Use a system to track personal care home inspection dates, non-compliance issues, required actions, and dates that personal care homes complete these actions

- Publicly report inspection results when personal care homes do not comply with *The Personal Care Homes Act, 1991*

## Chapter 35

## Saskatchewan Indian Gaming Authority Inc.—Information Technology Threat and Risk Assessment Processes

The Saskatchewan Indian Gaming Authority Inc. (SIGA) has a significant investment in information technology (IT). SIGA is responsible for ensuring that its IT systems are secure. One aspect of IT security is assessing threats and risks to IT systems and responding appropriately to those threats and risks. We audited SIGA's IT threat and risk assessment processes and found that SIGA needs to:

- Fully document its IT threat and risk assessment plan
- Carry out its documented plan including analyzing the threats and risks, and developing a risk response
- Report the results of the assessment to management
- Review the effectiveness of the assessment process and conduct on-going monitoring

## Chapter 36

## Transporting Students Safely

The Ministry of Education (Ministry) is responsible for leadership and oversight in the education sector. *The Education Act, 1995* gives responsibility to school divisions to administer student transportation and expects school boards to supervise student transportation. We audited the safety of student transportation processes in six school divisions and the related processes at the Ministry of Education for the period September 1, 2011 to August 31, 2012.

In this chapter, we describe the key findings of our audit of student transportation and make 14 recommendations to the Ministry and to school divisions.

Our audit concluded that student transportation requires Ministry coordination and oversight. Ministry oversight would help school divisions to comply with all the relevant legislation and consistently use strategies that would help keep students safe while they are transported. For example, the Ministry should require school divisions to use key strategies related to the condition of vehicles, the performance of drivers, the behaviour of students on the bus, and collision risks.

Our audit also concluded that, in general, school divisions had effective processes to transport students safely except in three areas. First, school divisions should consistently align their practices with legislation. Second, school divisions should manage transportation risks more consistently. For example, school divisions took different approaches to transporting students who lived near their school, transporting pre-schoolers, driver training, driver performance appraisal, and the use of 15-passenger vans. Third, school divisions that contract with private companies to provide some or all of their transportation services should require their contractors to report on how they comply with laws and the strategies they use to keep students safe while they are being transported to and from school.

These findings may help other school divisions in the province when assessing their own student transportation processes. As well, we outline some of the best practices we observed in school divisions.

## Audit Follow Ups

### Chapter 37

### Pesticide Regulation

This chapter is a follow-up of the recommendations from our 2007 Report – Volume 1, Chapter 3. The Ministry of Agriculture (Ministry) has implemented our recommendations regarding its processes to regulate pesticides. As of September 2012, the Ministry has formally analyzed the risks associated with licensees and exempt persons not following pesticide control laws, and has documented its strategy to address these risks.

### Chapter 38

### Saskatchewan Crop Insurance Corporation—Security Awareness

This chapter describes our follow-up of management's actions on the four recommendations we made in 2010 related to the Saskatchewan Crop Insurance Corporation (SCIC)'s security awareness processes. We recommended that SCIC needed to:

- Document in its policies its requirement for a formal security awareness program
- Specify who is responsible for the security awareness program
- Document its plan for delivery of security awareness training and carry out the plan
- Monitor the effectiveness of its security awareness program

SCIC has implemented all of our recommendations.

### Chapter 39

### Public Service Commission—Developing Leaders

The Public Service Commission (PSC) is the Government's central agency for human resources. This chapter describes management's actions on the recommendations we made in 2009. In 2009, we assessed PSC's processes to develop employees in various ministries for leadership positions. We made three recommendations calling for a mentorship program, developmental experiences to build leadership capacity, and a reporting progress of deputy ministers. As of August 31, 2012, PSC had implemented all three recommendations.

Effective May 2012, PSC is under the responsibility of the Ministry of Central Services.

### Chapter 40

### Public Service Commission—Out-of-Scope Staffing

*The Public Service Act, 1998* requires the Public Service Commission (PSC) to make appointments to positions in the classified division on the basis of merit. In 2010, we audited

PSC's processes to staff out-of-scope permanent positions. This chapter describes our follow-up of management's actions up to August 31, 2012 on two recommendations in our 2011 Report – Volume 1.

As of August 31, 2012, PSC had implemented one of our two recommendations. Our follow-up work found that PSC requires staff to keep specific essential documents that demonstrate that positions are staffed based on merit, but it did not verify that the essential documents were kept. Less than half of the files we examined contained the required essential documents such as references and interview assessments.

Effective May 2012, PSC is under the responsibility of the Ministry of Central Services.

## Chapter 41

## Saskatchewan Watershed Authority—Dam Safety

This chapter presents our follow up work on our 2005 Report – Volume 1 on dam safety. The Saskatchewan Watershed Authority (Authority) is responsible for the safety of dams that help to preserve a sustainable water supply for the province. Our 2005 Report – Volume 1 explained our audit of the processes used to ensure the safety of four major dams and provided four recommendations. We previously completed follow-ups in 2007 and 2010. As of July 31, 2012, management has not taken action on two recommendations that remain outstanding after six years. These recommendations pertain to dam emergency preparedness plans and safety manuals.

It is important that the Authority have an up-to-date and tested emergency preparedness plan for the Qu'Appelle River dam. The Authority intends to complete this emergency preparedness plan by March 31, 2013. The Authority needs to test the emergency preparedness plan for each of its four major dams (Gardiner, Qu'Appelle River, Rafferty and Alameda) to ensure that the plans are sufficient to protect people and property. The Authority also needs to complete 11 dam safety manuals documenting procedures for operations, maintenance, and surveillance of dam safety.

## Chapter 42

## 3sHealth Security of Payroll Transactions

Effective April 17, 2012, Saskatchewan Association of Health Organizations (SAHO) became 3sHealth.

3sHealth has addressed the one outstanding recommendation that continued from our 2009 follow up of then SAHO's controls to secure transactions on its payroll system. 3sHealth has implemented procedures to monitor the security of its payroll service provider.

## Chapter 43

## Cypress Regional Health Authority IT Security

In this chapter, we report that Cypress Regional Health Authority (Cypress) has implemented four of the seven recommendations that we made in 2008. In our 2008 Report – Volume 3, we reported that Cypress needed to strengthen its controls to secure its information technology systems and data. Cypress has more work to do on the remaining three recommendations. It still does not have a complete, approved and tested disaster recovery plan and it needs to configure its systems to protect them from external threats.

## Chapter 44 eHealth Saskatchewan—Buying IT Services Follow Up

Beginning in 2011, eHealth is responsible for the procurement of health-related information technology (IT) services. This was previously handled by the Ministry of Health.

In 2010, we assessed the adequacy of the Ministry of Health's processes to buy IT services (including IT consultation, oversight, and development and testing of programs and processes). We concluded that the Ministry did not have adequate processes to buy IT services and made eight recommendations to help the Ministry of Health strengthen its processes.

Since 2010, the Ministry of Health, through eHealth Saskatchewan, has made significant improvements and fully addressed six of the eight recommendations. It needs to continue its current work in implementing a system to assess and track the performance of IT service vendors.

## Chapter 45 eHealth Saskatchewan—Electronic Health Record

In 2009, we audited the Ministry of Health's processes to guide, monitor, and report on the implementation of its electronic health record systems (EHR). We made four recommendations.

In 2010-11, eHealth Saskatchewan (eHealth) became responsible for leading the planning and implementation of EHR. We followed up the status of our four recommendations with eHealth as of September 30, 2012. We found that neither the Ministry of Health nor eHealth have addressed our recommendations. eHealth needs to develop strategic and operational plans to guide the development and implementation of EHR. eHealth also needs to monitor its overall costs and timelines compared to its plans and develop performance measures to allow it to assess and report its progress.

The development and implementation of Saskatchewan's EHR started in 1997. In 2009, the Ministry of Health's goal was to make EHR available for all Saskatchewan residents by 2014 at a cost of $600 million. By March 31, 2012, $415 million has been spent on EHR and eHealth estimates that it is 30% complete. Therefore, completing EHR may cost substantially more than the $600 million previously estimated.

Public money continues to be spent despite the lack of multi-year strategic and operating plans. eHealth needs a complete EHR plan that includes an estimated total cost to complete and sets a timeline for implementation. Without this information, the Legislative Assembly and the public are unable to assess whether EHR will achieve its intended outcomes and whether public money is being spent effectively.

## Chapter 46

## Heartland Regional Health Authority—Disposal of IT and Communication Equipment

We conducted a follow-up of our 2009 Report – Volume 3 where we assessed Heartland Regional Health Authority's (Heartland's) processes to secure electronic information during the disposal of information technology and communication equipment.

Heartland has made progress in addressing our three recommendations on IT and communication equipment. It has implemented one recommendation and has more work to do on the remaining two.

Heartland has a policy for its disposal of information technology and communications equipment. However, Heartland has not yet documented specific methods for disposing of different types of equipment or verified that the methods are effective in removing sensitive data.

## Chapter 47

## Kelsey Trail Regional Health Authority—Medical Equipment Maintenance

In our 2010 Report – Volume 2, we made seven recommendations for Kelsey Trail Regional Health Authority (Kelsey Trail) to help improve its processes to maintain its medical equipment. Kelsey Trail has implemented three of the seven recommendations we made in 2010. One recommendation is no longer relevant because Kelsey Trail cancelled the arrangements with its earlier service provider. Kelsey Trail needs to do more work to implement the remaining three recommendations. It needs to maintain a complete list of equipment, maintain that equipment in accordance with required standards, and report maintenance results to senior management.

## Chapter 48

## Prince Albert Parkland Regional Health Authority—IT Security

In this chapter, we report the results of our follow-up on the recommendations from our 2011 Report – Volume 1 where we audited Prince Albert Parkland Regional Health Authority's (PA Parkland's) controls to secure its information technology (IT) systems and data.

PA Parkland needs to do more to fully address two outstanding recommendations from our 2011 IT security audit. PA Parkland needs to monitor its data centre, secure wiring closets and encrypt portable computers, and test its disaster recovery plan.

## Chapter 49

## Saskatoon Regional Health Authority—Protecting IT Infrastructure

In 2010, we made six recommendations to help strengthen Saskatoon Regional Health Authority (Saskatoon RHA)'s processes to protect its information technology systems and data. In this chapter, we report that Saskatoon RHA has implemented one of the six recommendations we made in 2010. Saskatoon RHA is now providing reports to the Board of Directors and senior management on the state of its information technology infrastructure. Saskatoon RHA needs to do more work to address our remaining five recommendations. Saskatoon RHA needs to implement adequate information technology policies, effectively restrict access to systems and data, securely configure its computers and network equipment, and monitor the security of its information technology infrastructure. Saskatoon RHA also needs a complete, approved and tested disaster recovery plan.

## Chapter 50 Financial and Consumer Affairs Authority—Processes to Investigate Complaints

Effective October 1, 2012, the Saskatchewan Financial Services Commission (Commission) became the Financial and Consumer Affairs Authority of Saskatchewan.

In 2007, we audited the Commission's processes to investigate complaints from the investing public. Investigating complaints from the investing public is a key mechanism for the Commission to detect breaches of securities law. We reported the results of our audit in Chapter 15 of our 2007 Report – Volume 3 and made five recommendations for the Commission to help improve its processes.

Our first follow-up in 2010 (2010 Report – Volume 2, Chapter 14) concluded that the Commission had implemented three recommendations but needed to do more to address the remaining two recommendations.

The Commission has addressed the remaining two recommendations.

## Chapter 51 Justice—Security Awareness Processes

Effective May 25, 2012, the Ministry of Justice and Attorney General became the Ministry of Justice and is now also responsible for Corrections and Policing. Recommendations previously directed at the Ministry of Justice and Attorney General are now directed at the Ministry of Justice consistent with the new legislative mandate of the Ministry of Justice. The Ministry of Justice and Attorney General (Justice) uses information systems that are critical to its operations. Justice must keep its information systems secure. A key part of security for Justice is having an effective security awareness program for its employees.

This chapter describes our follow-up of management's actions on the recommendations we made in 2010 relating to Justice's security awareness processes. Justice has made some progress in addressing our recommendations but has more work to do. It needs to complete its plan for security awareness and monitor the effectiveness of its program for security awareness.

## Chapter 52 Monitoring Provincial Policing Services Delivered by the RCMP

Effective May 25, 2012, Corrections and Policing became part of the Ministry of Justice (Ministry).

The Ministry is responsible for provincial policing. To meet its policing objectives, the Ministry contracts for the services of the Royal Canadian Mounted Police (RCMP). Our 2009 Report – Volume 1 contained the results of our audit of the processes to monitor provincial policing services delivered by the RCMP including five recommendations. As of October 9, 2012, management has taken action on four recommendations. The remaining recommendation relates to verifying the accuracy of costs charged by the RCMP.

## Chapter 53 Monitoring Charitable Gaming on Reserves

Saskatchewan Liquor & Gaming Authority (Liquor & Gaming) is responsible for regulating gaming in the Province. In 2010, we assessed Liquor & Gaming's processes to monitor regulatory compliance for charitable gaming on reserves. We found that Liquor & Gaming needed to identify key risks to charitable gaming and use them to evaluate compliance, provide written reports of its evaluation of Indigenous Gaming Regulators Inc.'s compliance to senior management, and keep a written record of revised actions and proposed changes to its Licensing agreement.

This chapter describes our follow up of management's actions on the recommendations we made in 2010. We made three recommendations (2010 Report – Volume 2). Liquor & Gaming has implemented all three recommendations as of August 31, 2012.

## Chapter 54 Social Services—Securing Physical Information

In this chapter, we followed up on the recommendations made in our 2010 Report – Volume 2, Chapter 20 to improve the Ministry of Social Services' (Social Services') processes to secure physical information. Social Services has implemented all three of our recommendations. It provides regular security awareness training to employees, removes access to information for terminated and transferred employees, and tracks the movement of confidential information and files.

## Chapter 55 Standing Committee on Public Accounts

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee). It briefly describes what the Committee does, how it is structured, and how it works.

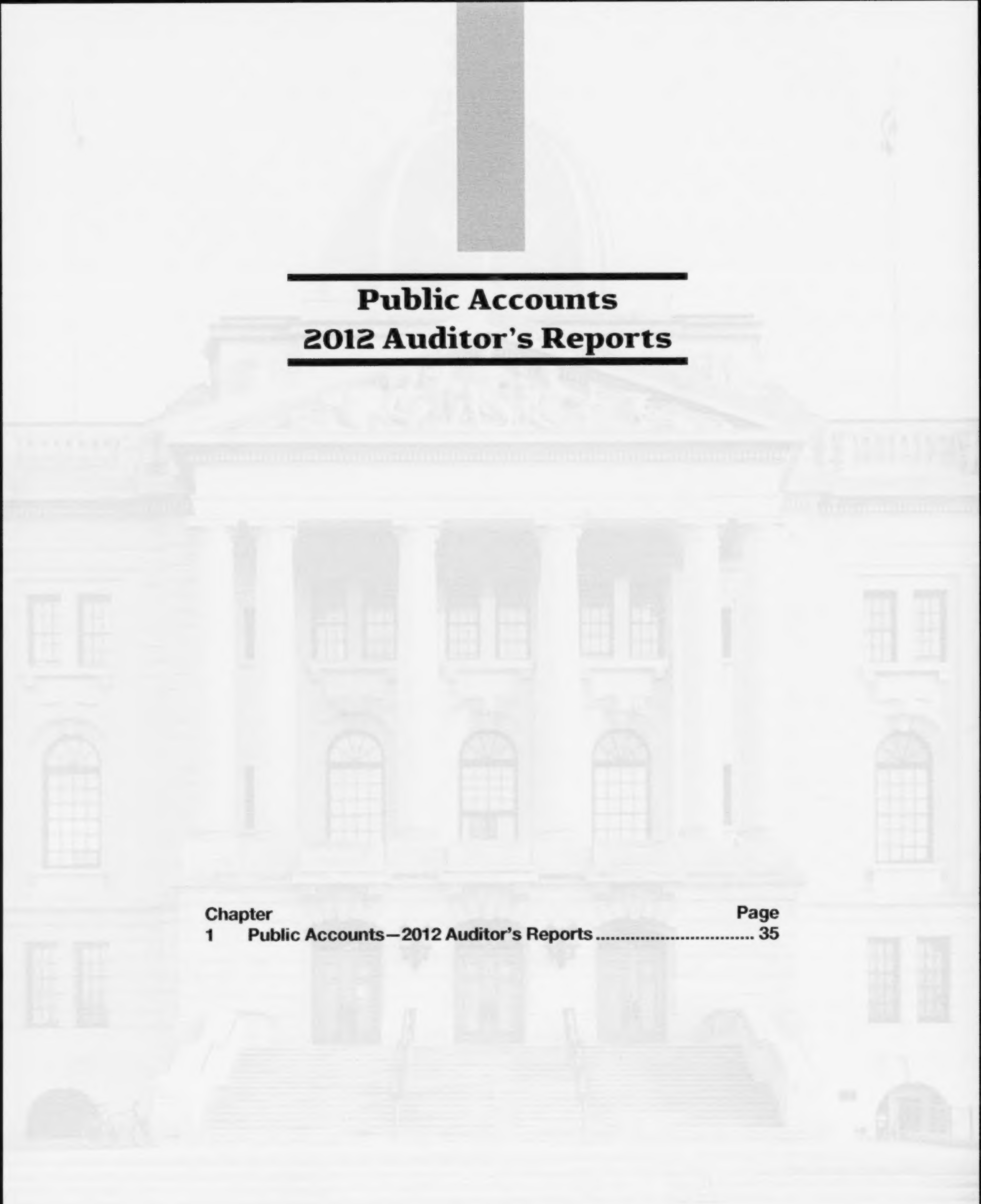
The Committee is a key agent of change for improving the Government's management of public resources. It helps the Legislative Assembly hold the Government accountable for its management of public resources.

The Committee reviews the activities, performance, and reports of government ministries, agencies, and certain Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. The Committee's discussions include broader issues such as strategic plans, key risks to achieving goals and objectives, and performance measurement.

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Third Report to the 26th Legislature. The Committee presented this report to the Assembly on September 6, 2011.

The Committee's reports during the previous five years contained 539 recommendations.

The Government has fully implemented 72% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 70% are partially implemented.



# Public Accounts
# 2012 Auditor's Reports

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# Chapter 1
# Public Accounts – 2012 Auditor's Reports

## 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the financial statements of the Government of Saskatchewan, the Summary Financial Statements, and our annual audit of the General Revenue Fund (GRF).

The 2012 Summary Financial Statements are reliable. The 2012 financial statements of the GRF are not reliable—they contain significant, material errors. When calculated in accordance with Canadian generally accepted accounting principles (Canadian GAAP), the GRF incurred a deficit of $46 million instead of a surplus of $352 million.

Saskatchewan is the only province in Canada to use the General Revenue Fund for communicating to the public about balanced budgets and for reporting on the financial results of the Government. As this continues to be an increasingly significant issue, we plan to issue a separate report early in 2013 on this matter.

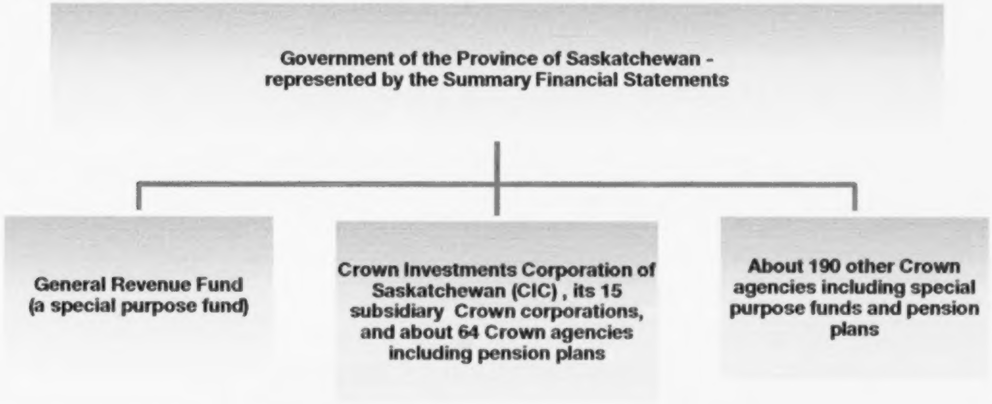
## 2.0 INTRODUCTION

The Public Accounts of Saskatchewan are key accountability reports required by law (i.e., *The Financial Administration Act, 1993*). The Public Accounts provide an important link in an essential chain of public accountability. They are the principal means by which the Government reports on its stewardship of public money to the Legislative Assembly and to the people of Saskatchewan.

Public Accounts – Volume 1 (Main Financial Statements) include the annual statements for the Government of the Province of Saskatchewan, the Summary Financial Statements, and other information as required by a subcommittee of Cabinet (i.e., Treasury Board). Legislation also requires financial statements on the General Revenue Fund to be prepared.

The **Summary Financial Statements** provide audited information on the overall financial affairs and resources for which the Government is responsible (about 270 agencies including the General Revenue Fund, Crown corporations, and other Crown agencies–see **Figure 1**). **These statements are the only appropriate statements to use when trying to understand the financial results of the Government of Saskatchewan and when comparing the operating results and the financial position of Saskatchewan to other provincial governments and the Federal Government.**

Figure 1—The Composition of the Government of Saskatchewan


Government of the Province of Saskatchewan - represented by the Summary Financial Statements
General Revenue Fund (a special purpose fund)
Crown Investments Corporation of Saskatchewan (CIC), its 15 subsidiary Crown corporations, and about 64 Crown agencies including pension plans
About 190 other Crown agencies including special purpose funds and pension plans

The **General Revenue Fund Financial Statements** compare spending of ministries to that authorized by Appropriation Acts and other statutory spending authorities (Estimates). They provide information on spending of ministries and revenues primarily from taxes, non-renewable resources, and transfers from the Federal Government. As explained later in this chapter, these statements are inaccurate in that they contain significant material errors.

## 3.0 AUDIT CONCLUSIONS AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **The Government's Summary Financial Statements included in the 2011-12 Public Accounts – Volume 1 are reliable. See Exhibit 2.**
- **The General Revenue Fund financial statements included in the 2011-12 Public Accounts – Volume 1 are not reliable. They do not include $6.12 billion of pension and disability benefit debt. In addition, they incorrectly include transfers between the General Revenue Fund and the Growth and Financial Security Fund in calculating the annual surplus. This enables the Government to always publicly report an annual surplus and to inappropriately make the annual surplus whatever amount it chooses it to be. See Exhibit 1.**

## 3.1 The GRF Financial Statements Contain Significant Errors

The financial statements of the General Revenue Fund are not prepared in accordance with generally accepted accounting principles (Canadian GAAP). Use of Canadian GAAP is necessary so that governments account for the cost of their programs and decisions accurately and so that the citizens of a province receive correct financial information.

As set out in **Exhibit 1**, the Provincial Auditor's audit opinion on the 2012 GRF financial statements is qualified. "Qualified" audit opinions are not normal and should cause concern for legislators and the public. The audit opinion advised readers of the significant errors in the GRF financial statements. Also, the audit opinion cautions users not to use the GRF financial statements to understand the financial results of the Government.

Instead of following Canadian GAAP, the Government continues to use inappropriate accounting policies to account for pension costs and transfers between the GRF and the Growth and Financial Security Fund (GFSF).[1] It inappropriately accounts for pension costs on a cash basis. It therefore does not publicly discuss that there is a $6.12 billion pension liability in Saskatchewan that will require significant cash in the future to cover annual payments. The GRF treats transfers between the GRF and the GFSF as revenues or expenses of the GRF. This enables the Government to inappropriately adjust the bottom line of the GRF and ensure that these financial statements always show a surplus.

For the year ended March 31, 2012, the GRF reported an annual surplus of $352 million. If the GRF financial statements had been prepared correctly in accordance with GAAP, they would have reported a deficit of $46 million. Also, instead of the reported accumulated deficit of $146 million, the GRF had an accumulated deficit of $5.56 billion. **Figure 2** explains the errors in the 2012 GRF financial statements. It sets out, by line item, the affected information from the GRF financial statements, the amount reported, the amount that should have been reported, the difference between these two amounts, and the reason for that difference.

**Figure 2—Impact of Errors on the GRF Financial Statements for the Year Ended March 31, 2012**

| Line Item on Financial Statements | Amount Reported in the Statements | Amount that Should be Reported in the Statements | Difference Amount Reported is: Overstated (too high) Understated (too low) | Reason for Difference |
|---|---|---|---|---|
| Statement of Financial Position | | | | |
| Total Financial Assets | $3.00 billion | $3.71 billion | $708 million (understated) | Unrecorded "Due from Growth and Financial Security Fund" |
| Total Liabilities | $6.56 billion | $12.68 billion | $6.12 billion (understated) | Unrecorded pension and a disability plan debt |
| Net Debt | $3.56 billion | $ 8.97 billion | $5.41 billion (understated) | Net impact of not recording the above amounts |
| Accumulated Deficit | $146 million | $5.56 billion | $5.41 billion (understated) | Net impact of not recording the above amounts |
| Statement of Operations | | | | |
| Total Expense | $11.07 billion | $11.17 billion | $100 million (understated) | Unrecorded pension and a disability plan costs for current year |
| Transfer to the Growth and Financial Security Fund | $27 million | $ --- | $27 million (overstated) | Inappropriately including transfer as an expense |
| Transfer from the Growth and Financial Security Fund | $325 million | $ --- | $325 million (overstated) | Inappropriately including transfer as an revenue |
| Annual Surplus (Deficit) | $352 million | $ (46) million | $398 million (overstated) | Net impact of above errors on current year surplus (deficit) |

---

[1] The Growth and Financial Security Fund was established on May 14, 2008 under *The Growth and Financial Security Act*.

In October 2012, subsequent to the completion of our audit, we became aware that the Ministry of Education, in 2011-12, had provided loan guarantees to certain school divisions. It has agreed to provide those school divisions with funding that allows them to repay their loans that school divisions have with financial institutions. These loans total at least $31 million.

Under Canadian GAAP, guaranteed loans expected to be repaid through government funding should be accounted for as a liability and expense in the year that the guarantee is made. This means that the 2012 GRF financial statements contain an additional error of at least $31 million. For the year ended March 31, 2012, the GRF reported annual surplus of $352 million is overstated by at least an additional $31 million.

At the time of this report, we are further reviewing to determine whether other loans held by school divisions should be recorded as liabilities of the General Revenue Fund. At March 31, 2012, school divisions had loans totalling $74.5 million. Our further review of this could indicate that an additional liability of $43.5 million may need to be recorded.

## 4.0 EXHIBITS

### Exhibit 1—Auditor's Report on 2011-12 General Revenue Fund Financial Statements

**Independent Auditor's Report**

**To: The Members of the Legislative Assembly of Saskatchewan**

I have audited the accompanying financial statements of the General Revenue Fund, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, accumulated deficit, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements are prepared to assist Treasury Board in meeting its reporting requirements included in Section 15 of *The Financial Administration Act, 1993*.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Basis for Qualified Opinion**

The Government through the General Revenue Fund is responsible for the liabilities of several pension plans and a disability benefit plan. Notes 1 and 5 state that the pension liabilities and a disability benefit liability are not recorded in these financial statements. Canadian public sector accounting principles require that the pension and disability benefit liabilities be recorded in the financial statements. Had the pension and disability benefit liabilities been recorded, liabilities and accumulated deficit would increase by $6,124 million (2011 - $6,024 million) as at March 31, 2012 and, for the year, expenses would increase by $100 million (2011 - $241 million), and the surplus would decrease by the same amount.

The Government records transactions between the General Revenue Fund and the Growth and Financial Security Fund (GFSF) as revenue or expense of the General Revenue Fund. The substance of the transactions between the General Revenue Fund and the GFSF is that the amounts the General Revenue Fund owes the GFSF must be repaid by the GFSF to the General Revenue Fund. Canadian public sector accounting principles do not allow the General Revenue Fund to record changes in the amount due to the GFSF as revenue or expense of the General Revenue Fund.

The financial statements show an expense (as a Transfer to the GFSF) of $27 million (2011 - $48 million) and a revenue (as a Transfer from the GFSF) of $325 million (2011 - $0). It is not appropriate to record an expense because the GFSF must return all amounts due to the General Revenue Fund. Likewise, it is not appropriate to record revenue for the amount the GFSF has returned to the General Revenue Fund in the year. Instead of recording an expense or revenue, the financial statements should record an asset equal to the amount it owed or paid to the GFSF. Had the Government properly recorded the transactions, total financial assets would increase by $708 million (2011 - $1,006 million) and accumulated deficit would decrease by the same amount as at March 31, 2012, and surplus for the year would decrease by $298 million (2011- increase by $48 million).

**Qualified Opinion**

In my opinion, except for the effects of not recording pension and disability benefit liabilities, and the incorrect recording of transactions between the General Revenue Fund and the GFSF, as described in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the General Revenue Fund as at March 31, 2012, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Usefulness of these Financial Statements**

**These financial statements contain qualifications from Canadian public sector accounting standards and only report transactions and events of the General Revenue Fund, a component of the Summary Financial Statements. Therefore, readers should not use the General Revenue Fund financial statements to understand and assess the Government's overall management of public financial affairs and provincial resources. Rather, they should use the Summary Financial Statements of the Government of Saskatchewan.**

The Government is comprised of over 270 different entities other than the General Revenue Fund. The extent of the Government's controlled financial activities outside of this Fund is significant. Consideration of the financial activities of these entities and adjusting for the qualifications to the General Revenue Fund has the following impact: total financial assets increase by $6,105 million (2011 - $7,188 million); total liabilities increase by $7,088 million (2011 - $7,295 million); net debt increases by $983 million (2011 - $107 million); total non-financial assets increase by $3,747 million (2011 - $3,567 million); accumulated deficit decreases by $2,764 million (2011 - $3,460 million); total revenue including net income from government business enterprises increases by $2,161 million (2011 - $2,237 million); total expense increases by $2,618 million (2011 - $2,298 million); and the annual surplus decreases by $457 million (2011 - $61 million).

Only the Summary Financial Statements report the full nature and extent of the overall financial affairs and resources of the Government of the Province of Saskatchewan.

**Basis of Accounting and Restriction on Use**

Without modifying our opinion, we draw attention to Note 1 of the financial statements which describes the basis of accounting and the exceptions approved by Treasury Board to Canadian public sector accounting standards. The primary purpose of the General Revenue Fund financial statements is to report the performance of the Fund against the Estimates. As a result, the financial statements may not be suitable for another purpose.

Bonnie Lysyk, MBA, CA
Provincial Auditor
Regina, Saskatchewan
June 14, 2012

## Exhibit 2—Auditor's Report on 2011-12 Summary Financial Statements

### INDEPENDENT AUDITOR'S REPORT

**To the Members of the Legislative Assembly of Saskatchewan**

I have audited the accompanying financial statements of the Government of Saskatchewan, which comprise the summary statement of financial position as at March 31, 2012, and the summary statements of operations, accumulated surplus, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government of Saskatchewan as at March 31, 2012, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Bonnie Lysyk, MBA, CA
Provincial Auditor
Regina, Saskatchewan
June 14, 2012

## 5.0 GLOSSARY

**Accumulated deficit** – the sum of the net debt of the government and its non-financial assets or conversely the amount by which expense has exceeded revenue from the inception of the agency plus any required accounting adjustments. This amount reveals important information about an entity's financial position.

**Annual surplus (deficit)** – the amount by which total revenue for the reporting period exceeds total expenses for the reporting period or conversely total expenses for the reporting period exceed total revenues for the reporting period.

**Balanced budget** – a "balanced" budget means that planned spending for a fiscal period(s) is equal to or less than planned revenues for the same period(s).

**Financial asset** – an asset that can be used to discharge existing liabilities or finance future operations and is not for consumption in the normal course of operations.

**Liability** – an amount owed to another party that may be settled through a transfer or use of assets, provision of services, or other yielding of economic benefits in the future.

**Net Debt** – a measure of a government's financial position that is, calculated as the difference between financial assets and liabilities. Net debt provides a measure of the future revenues required to pay for past transactions and events. If the total financial assets exceed the total liabilities, it is called net assets.

**Transfer** – money given to an individual, an organization, or another government agency for which the transferor does not receive goods or services directly in return or expect to be repaid in the future.

# Annual Integrated Audits

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# Chapter 2
# Advanced Education

## 1.0 MAIN POINTS

Effective May 25, 2012, the Ministry of Advanced Education, Employment and Immigration became the Ministry of Advanced Education (Advanced Education). On that date, the employment and immigration programs moved to the Ministry of the Economy.

This chapter reports the results of the annual audits of Advanced Education and its agencies.

Advanced Education and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2012 financial statements of Advanced Education's funds and agencies are reliable. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the following where Advanced Education needs to:

- Strengthen the governance and accountability of regional college boards to ensure they fulfill their responsibilities under *The Regional Colleges Act*
- Improve information technology (IT) processes to promptly remove user access, prepare an IT strategic plan, sign an adequate agreement with the Information Technology Office on disaster recovery of computer systems and data, and monitor the effectiveness of the Information Technology Office's security controls to protect Advanced Education's computer systems and data
- Sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety to avoid misunderstandings

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

Advanced Education's mandate is to provide leadership and resources to foster a high quality advanced education and training system and provide employment and immigration services to develop a workforce that responds to the needs of Saskatchewan's people and economy.[1]

For the year ended March 31, 2012, Advanced Education had 410.7 full-time equivalent positions.[2]

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[1] *Ministry of Advanced Education, Employment and Immigration, 11-12 Annual Report*, p. 4.
[2] Ibid., p. 27.

## 2.1 Financial Overview

For the year ended March 31, 2012, Advanced Education spent $859.2 million on its programs and had revenues of $70.2 million. Information about Advanced Education's revenues and expenditures appears in its 2011-12 annual report (see www.aeei.gov.sk.ca/2011-12-annual-report).

**Figure 1—Major Programs and Spending**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management and Services | $ 19.2 | $ 17.8 |
| Student Supports | 101.7 | 110.5 |
| Post-Secondary Education | 610.0 | 610.0 |
| Immigration | 14.7 | 12.1 |
| Labour Force Development | 108.5 | 107.1 |
| **Total Appropriation** | 854.1 | 857.5 |
| Capital Asset Acquisitions | - | - |
| Capital Asset Amortization | 1.8 | 1.7 |
| **Total Expense** | $ 855.9[3] | $ 859.2 |

Source: Ministry of Advanced Education, Employment and Immigration, 11-12 Annual Report

## 2.2 Related Special Purpose Funds and Agencies

At March 31, 2012, Advanced Education was responsible for the following special purpose funds and agencies (agencies) covered by our audits this year:

| | Year-end | Appointed Auditor[4] |
|---|---|---|
| Saskatchewan Student Aid Fund | March 31 | N/A |
| Training Completions Fund | March 31 | N/A |
| Carlton Trail Regional College | June 30 | E.J.C. Dudley & Co. |
| Great Plains College | June 30 | Stark & Marsh LLP |
| Southeast Regional College | June 30 | MNP LLP |
| Saskatchewan Apprenticeship and Trade Certification Commission | June 30 | N/A |
| Saskatchewan Institute of Applied Science and Technology | June 30 | We audit jointly with Deloitte & Touche LLP |

Our office worked with the above appointed auditors to carry out our audit work. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

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[3] The Estimates total does not include an additional $8.9 million authorized through the Saskatchewan Supplementary Estimates.

[4] N/A means not applicable because we do the audit directly.

Advanced Education is also responsible for four other colleges (Cumberland, North West, Northland, Parkland). We audit colleges on a cyclical basis. We require the appointed auditors of these other four colleges that are not in the current cycle to provide us with reports that set out the results of their audits. We review these reports and have discussions with Advanced Education officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditors on these matters. The appointed auditors of the other four colleges did not report any significant matters for the colleges they audited.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the years ending on or before June 30, 2012:**

- **Advanced Education and its agencies had effective rules and procedures to safeguard public resources except as reported in this chapter**
- **Advanced Education and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Government Organization Act*
*The Ministry of Advanced Education, Employment and Immigration Regulations*
*The Training Allowance Regulations*
*The Employment Program Regulations*
*The Skills Training Benefit Regulations*
*The Post-Secondary Education and Skills Training Act*
*The Training Program Regulations*
*The Education Act, 1995* (section 3(1))
*The Apprenticeship and Trade Certification Act, 1999*
*The Apprenticeship and Trade Certification Regulations, 2003*
*The Graduate Retention Program Act*
*The Graduate Retention Program Regulations*
*The Private Vocational Schools Regulation Act, 1995*
*The Private Vocational Schools Regulation, 1995*
*The Public Service Act, 1998*
*The Regional Colleges Act*
*The Regional Colleges Regulations*
*The Regional Colleges Program Designation Regulations*
*The Regional Colleges Programs and Services Regulations, 1997*
*The Financial Administration Act, 1993*
*The Saskatchewan Institute of Applied Science and Technology Act*
*The Student Assistance and Student Aid Fund Act, 1985*
*The Lender-financed Saskatchewan Student Loan Regulations*
*The Student Assistance and Student Aid Fund Regulations, 2001*
*The Saskatchewan Student Direct Loans Regulations*
*The Tabling of Documents Act, 1991*
Orders in Council issued pursuant to the above legislation

- **The agencies had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Advanced Education's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Advanced Education's rules and procedures to safeguard public resources includes assessing the design and effectiveness of Advanced Education's control activities relating to grants which are approximately 95% of the total Ministry expenditures and revenue which is tied to agreements with the federal government. This chapter also provides the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## 3.1 Great Plains Regional College Needs to Restrict Access to its Financial Reporting System

The College needs to develop written policies and procedures to appropriately restrict staff access to its financial reporting system.

During the year, a senior financial staff person had the ability to initiate transactions, approve transactions, make changes to the accounting records, and authorize payments. This increased the risk of unauthorized transactions.

1. **We recommend that Great Plains Regional College develop written policies and procedures to appropriately restrict staff access to its financial reporting system.**

## 3.2 Shared Service Agreement Needed

We recommended that the Ministry of Advanced Education, Employment and Immigration sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

Advanced Education provides various services to the Ministry of Labour Relations and Workplace Safety, such as revenue processing, payment processing, information technology support, and other support services. A shared service agreement should be in place so that both ministries understand their respective roles and responsibilities.

The *Financial Administration Manual* section 3007.08 requires that shared service arrangements between ministries be supported by a memorandum of understanding. At March 31, 2012, Advanced Education did not have such a memorandum in place.

## 3.3 Governance and Accountability of Regional Colleges Needs Strengthening

In our 2011 Report – Volume 2, we reported that Advanced Education needs to strengthen governance and accountability processes to ensure regional college boards fulfill their responsibilities under *The Regional Colleges Act*. We reported that Advanced Education's review processes did not promptly identify significant governance problems at Carlton Trail Regional College. We provide an update on actions taken by Carlton Trail Regional College and Advanced Education.

### 3.3.1. Recommendations for Carlton Trail Regional College

We recommended that the Board of Carlton Trail Regional College fulfill its governance obligations and its responsibilities under *The Regional Colleges Act* by:

- Ensuring that Board motions and decisions are restricted to members of the Board
- Documenting Board decisions and support for decisions
- Having or obtaining through Board training appropriate knowledge and skills
- Regularly evaluating its performance

(2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation as it relates to Board training and evaluating Board performance.

Cabinet appointed a five member Board for Carlton Trail Regional College (Carlton Trail) effective September 29, 2011. Since then, motions and decisions have been appropriately restricted to members of the Board, and Board minutes contain adequate documentation of decisions and support for decisions made by the Board.

The Board discussed board training opportunities at its meetings; however, no training was received by the Board. Also, the Board did not identify current board skills or gaps and potential areas for training. The Board has not yet evaluated its performance.

We recommended that the Board of Carlton Trail Regional College obtain the Minister's approval for its chief executive officer's duties, remuneration, term of office and other terms and conditions of appointment as required under *The Regional Colleges Act*. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

The Minister of Advanced Education approved the appointment and extension of appointment for the interim Chief Executive Officer. On August 1, 2012, the Minister approved the appointment of the new permanent Chief Executive Officer of Carlton Trail.

We recommended that the Board of Carlton Trail Regional College formalize its rights and obligations in written agreements when it enters into financial arrangements with other agencies. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

During the year, Carlton Trail signed three agreements that set out its financial arrangements with the Humboldt Collegiate Institute. The agreements signed appropriately set out Carlton Trail's access to and use of the property.

### 3.3.2. Recommendations for Advanced Education

We recommended that the Ministry of Advanced Education, Employment and Immigration ensure that boards of regional colleges are trained to fulfill their governance responsibilities and their responsibilities under *The Regional Colleges Act*. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

Advanced Education has developed a three year action plan to strengthen governance and accountability in the post-secondary sector. The plan includes reviewing the current state of governance and accountability practices within the sector and developing sector specific board governance training and certification. Advanced Education had not yet implemented the plan.

We recommended that the Ministry of Advanced Education, Employment and Immigration regularly evaluate whether boards of regional colleges are fulfilling their governance responsibilities and their responsibilities under *The Regional Colleges Act*. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

Advanced Education strengthened its monitoring and oversight of board performance through the receipt and review of board meeting packages and minutes. Advanced Education is also undertaking an assessment of current governance practices and an evaluation of board performance.

We recommended that the Ministry of Advanced Education, Employment and Immigration ensure that boards of regional colleges obtain the Minister's approval for chief executive officer duties, remuneration, terms of office, and other terms and conditions of appointment as required under *The Regional Colleges Act*. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

All contracts for CEO's have been approved by the Minister of Advanced Education. Advanced Education enhanced its processes to ensure chief executive officers' draft contracts are vetted by Advanced Education officials prior to a recommendation being provided to the Minister.

## 3.4 Information Technology Controls Need Improvement

We recommended the Ministry of Advanced Education and Immigration follow its established procedures for removing user access to its computer systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – We continue to make this recommendation.

As in prior years, Advanced Education did not follow its processes for promptly removing user access from individuals who no longer work for Advanced Education. For example, we found 7 out of 15 individuals tested did not have their network access removed promptly. In one instance, access was not removed until 38 days after employment ended. If former employees do not have access removed by the day of termination, it increases the risk of inappropriate access to Advanced Education's systems and data.

Advanced Education also provided additional enhanced user access to certain individuals. However, it did not maintain a listing of the individuals and the rationale for why they needed this access. Advanced Education did not know if these individuals still needed this access. As part of Advanced Education's established procedures, it also needs to remove unnecessary user access from current employees.

We recommended the Ministry of Advanced Education, Employment and Labour prepare an information technology strategic plan. (2009 Report – Volume 3; Public Accounts Committee agreement May 12, 2010)

**Status** – We continue to make this recommendation.

Advanced Education is working on developing an information technology (IT) strategic plan.

An IT strategic plan can help management ensure IT initiatives are appropriate to meet Advanced Education's direction. It would also help management determine if it has addressed all the threats and risks to Advanced Education's security. Advanced Education needs an IT strategic plan to ensure its use of resources supports its strategic objectives.

We recommended the Ministry of Advanced Education, Employment and Labour sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

During the year, Advanced Education signed a memorandum of understanding with the Information Technology Office (ITO). However, additional work is required to outline disaster recovery. As a result, neither Advanced Education nor ITO know whether systems and data can be restored when needed by Advanced Education in the event of a disaster. This could result in Advanced Education not being able to provide timely services to the public.

We recommended the Ministry of Advanced Education, Employment and Labour monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

Advanced Education is working with ITO to implement a security plan, including security policy guidance, reporting improvements, employee awareness, better system access controls and security audits. Currently, Advanced Education does not know if ITO is addressing Advanced Education's security needs.

## 3.5 Human Resource Plan

We recommended that the Ministry of Advanced Education, Employment and Labour develop a human resource plan. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – Implemented.

Advanced Education has now developed a human resource plan. The plan identifies key issues and needs related to Advanced Education's workforce.

# 4.0 EXHIBITS

## 4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Advanced Education, Employment and Immigration – Construction Projects**<br>(2004 Report – Volume 1) | | |
| 2005 | 13-2 that the Ministry of Advanced Education, Employment and Immigration (formerly Department of Learning) should document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risk on approved capital projects. | **Implemented**<br>Advanced Education has processes in place to identify and mitigate significant risks. |
| **Saskatchewan Institute of Applied Science and Technology – Human Resource Capacity**<br>(2006 Report – Volume 1) | | |
| 2007 | 3-7 that Saskatchewan Institute of Applied Science and Technology's Board should work with management to identify the content and frequency of reports necessary to monitor human resource risks and evaluate progress towards its human capacity objectives. | **Partially implemented**<br>as of February 28, 2010) |
| **Saskatchewan Institute of Applied Science and Technology – Risk Management**<br>(2008 Report – Volume 3) | | |
| 2009 | 2-5 that the Saskatchewan Institute of Applied Science and Technology's Board use more comprehensive risk management policies and procedures that:<br>- define key terms and processes<br>- assign roles and responsibilities for risk management<br>- require risks be identified in relation to strategic objectives<br>- require analysis of risk likelihood and impact including timeframes<br>- set criteria to evaluate risk tolerance<br>- outline guidance to treat key risks | **Partially implemented**<br>(as of August 31, 2010) |
| 2009 | 2-6 that the Saskatchewan Institute of Applied Science and Technology's Board require that the written risk management reports it receives include analysis of risks and outcomes of risk management. | **Partially implemented**<br>(as of August 31, 2010) |

# Chapter 3
# Agriculture

## 1.0 MAIN POINTS

This chapter contains the results of our 2011-12 annual audits of the Ministry of Agriculture (Agriculture) and its agencies. Agriculture and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, borrowing and investing. The 2011-12 financial statements of each agency are reliable.

During 2011-12, Agriculture and its agencies had adequate rules and procedures to safeguard public resources except for the recommendations described in this chapter. Most importantly, Agriculture needs to make further improvements in its processes used to make financial estimates for farm stability programs. Agriculture needs to base these financial estimates on the most current information available. Also, more work is required by Agriculture to ensure its key computer systems are available for use by implementing disaster recovery plans.

## 2.0 INTRODUCTION

The purpose of Agriculture is to enable a prosperous market-driven agricultural industry through a supportive legislative framework, policies, and programs and services.[1]

### 2.1 Financial Overview

In 2011-12, Agriculture recorded revenues of $144.5 million (2011 - $166 million) comprised primarily of transfers from the Federal Government for agricultural programs, as well as lease revenue, and land sales. Agriculture's annual report provides further detail on its revenues and expenses including reasons for differences from its approved budget.[2] Also, at March 31, 2012, Agriculture held agricultural lands, buildings, and equipment with a net book value of $79.5 million.

Agriculture provides significant funding to others such as $303.9 million to Saskatchewan Crop Insurance Corporation for the crop insurance, excess moisture, and AgriStability programs. At March 31, 2012, Agriculture had 420 employees.[3]

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[1] Ministry of Agriculture, *Ministry Plan for 2011-12*, p. 2.

[2] www.agriculture.gov.sk.ca/ministry-overview.

[3] Government of Saskatchewan. *Public Service Commission 2011-12 Annual Report*, p. 28.

**Figure 1—Major Programs and Spending**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management and Services | $ 11.8 | $ 9.6 |
| Policy and Planning | 4.0 | 3.7 |
| Research and Technology | 18.1 | 20.2 |
| Regional Services | 31.6 | 28.3 |
| Land Management | 8.2 | 5.2 |
| Industry Assistance | 4.7 | 5.7 |
| Irrigation and Water Infrastructure | 7.8 | 4.9 |
| Financial Programs | 8.9 | 6.9 |
| Business Risk Management | 320.8 | 352.9 |
| **Total Appropriation** | 415.9[4] | 437.4 |
| Capital Asset Amortization | 2.0 | 2.2 |
| **Total Expenses** | $ 417.9 | $ 439.6 |

Source: *2011-12 Ministry of Agriculture Annual Report*

## 3.0 BACKGROUND

The authority for Agriculture is contained in *The Department of Agriculture, Food and Rural Revitalization Act*. Agriculture is responsible for many agencies that administer and support agricultural programs in Saskatchewan. Each of these agencies listed below has a March 31 year-end.

Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Agri-Food Council
Crop Reinsurance Fund of Saskatchewan
Horned Cattle Fund
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund
Livestock Services Revolving Fund
Pastures Revolving Fund
Prairie Agricultural Machinery Institute
Saskatchewan Agricultural Stabilization Fund
Saskatchewan Crop Insurance Corporation

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[4] During the year, Agriculture received a special warrant of $30.29 million. Thus they did not exceed their appropriation.

## 4.0 Audit Conclusions, Scope and Findings

**In our opinion, for the year ended March 31, 2012:**

- **Agriculture and its agencies had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **Agriculture and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Agri-Food Act, 2004*
  *The Agri-Food Regulations, 2004*
  *The Agricultural Credit Corporation of Saskatchewan Act*
  *The Agricultural Credit Corporation of Saskatchewan Regulation, 1989*
  *The Agriculture Implements Act*
  *The Agriculture Implements Regulations, 1982*
  *The Animal Identification Act*
  *The Animal Products Act*
  *The Brand Regulations*
  *The Crop Insurance Act*
  *The Crop Insurance Amendment Regulations, 2012 (No. 2)*
  *The Department of Agriculture, Food and Rural Revitalization Act*
  *The Ministry of Agriculture Regulations, 2007*
  *The Farm Financial Stability Act*
  *The AIDA and SFIP Program Regulations*
  *The Canada Saskatchewan Specified Risk Material Management Program Regulations*
  *The Cattle Breeder Associations Loan Guarantee Regulations, 1991*
  *The Cattle Feeder Associations Loan Guarantee Regulations, 1989*
  *The Excess Moisture Program Regulations, 2011*
  *The Farm and Ranch Water Infrastructure Program Regulations*
  *The Horned Cattle Purchases Act*
  *The Horned Cattle Purchases Regulations, 1983*
  *The Intensive Livestock Operations Environmental Rehabilitation Program Regulations*
  *The Livestock Dealer Regulations, 1995*
  *The Livestock Inspections and Transportation Regulations, 1978*
  *The 2011 Saskatchewan Feed and Forage Program Regulations*
  *The Short-term Hog Loan Regulations, 2008*
  *The Short-term Cattle Loan Program Regulations*
  *The Wildlife Damage and Livestock Predation Regulations*
  *The Financial Administration Act, 1993*
  *The Government Organization Act*
  *The Irrigation Act, 1996*
  *The Pastures Act*
  *The Pastures Regulations*
  *The Prairie Agricultural Machinery Institute Act, 1999*
  *The Prairie Agricultural Machinery Institute Regulations, 1999*
  *The Provincial Lands Act*
  *The Provincial Lands Regulations*
  *The Public Service Act, 1998*
  *The Purchasing Act, 2004*
  Contracts and Orders in Council issued pursuant to the above legislation

- **The financial statements of Agriculture's agencies are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Agriculture's and its agencies' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In the 2011-12 audits, we examined the effectiveness of Agriculture's and its agencies' financial-related controls used to administer their spending, revenues, and key assets. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports. We paid particular attention to the following two areas:

- First, the processes Agriculture used to estimate its costs for key business management programs and related amounts it owed to and owing from others.

Information on the actual costs and recovery of those costs from the Federal Government is not available at year end for some of these key programs

- Second, the controls over key computer systems that Agriculture relied on to administer its programs (e.g., agricultural land, land leases, and land sales)

## 4.1 Documentation of Accounting Estimates Improved

> We recommended that the Ministry of Agriculture consistently document assumptions and analysis when making significant accounting estimates. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)
>
> **Status** – Implemented.

The Ministry has improved its documentation and now consistently documents its assumptions and analysis when making significant accounting estimates.

## 4.2 Use Current Information when Estimating Expenses

Agriculture did not always actively seek or use current information when making its estimates of expenses for the AgriStability and AgriInvest programs.

**Figure 2** presents Agriculture's significant accounting estimates as of March 31, 2012. These estimates relate primarily to its business risk management programs (e.g., AgriStability and AgriInvest programs). AgriStability is a large and complex business risk management program with expenses that often exceed $100 million each year. The combined AgriStability and AgriInvest program expenses for 2011-12 were $83.4 million. Agriculture recognizes that estimating expenses related to these programs is challenging.

**Figure 3** presents a five-year history of these program expenses and the change in each estimate in the following year (i.e., reversal of prior year expense recorded as revenue).

For its March 31, 2012 estimate of the AgriStability and AgriInvest expenses related to the current crop year (2011 crop), Agriculture used the Federal Government's January 2012 estimate. The Federal Government's January estimate was based on information available up to December 2011.

Agriculture did not actively seek additional information to confirm the reasonableness of its use of the Federal Government's January 2012 estimate at March 31, 2012. That is, it did not seek information on the impact of producer claims for losses processed between December 31 and March 31, nor the status of claims previously submitted but not yet finalized.[5] Because Agriculture used December information without further work for its March estimate, its estimate may not reflect the best information available at March 31.

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[5] Producers participating in AgriStability and AgriInvest programs have until September 30th to submit claims for losses for their crop year. For the 2011-12 fiscal year, the submission deadline was September 30, 2012 for the 2011 crop.

Because Saskatchewan Crop Insurance Corporation (SCIC) cannot process all producer claims related to past crop years (i.e., 2009 and 2010 crop years) by March 31 each year, Agriculture estimates its AgriStability and AgriInvest expenses for unpaid producer claims for these crop years.[6] For the year ended March 31, 2012, Agriculture used the initial estimate prepared by SCIC without carrying out any additional procedures. For example, Agriculture did not actively seek information from SCIC about the basis of SCIC's estimates, events, or adjustments that would impact the reasonableness of the SCIC's estimates. Agriculture's financial results (and the General Revenue Fund financial statements) for business risk management expenses were understated by about $5 million.

1. **We recommend that the Ministry of Agriculture use the most current information when estimating program expenses.**

**Figure 2—Significant Estimates by Type**

| | Actual 2010-11 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Transfers due from the Federal Government related to business risk management programs | $ 8.4 | $ 4.8 |
| Uncollectible receivables | (7.5) | (0.65) |
| Transfers due to the Federal Government and Saskatchewan Crop Insurance related to business risk management programs (e.g., AgriStability and AgriInvest for current and past crop years) | 159.3 | 111.9 |
| AgriStability and AgriInvest program expense | 141.2 | 83.4 |

Source: Ministry of Agriculture accounting records

**Figure 3—Five-year History of AgriStability and AgriInvest Program Expenses**

| Year | Total AgriStability and AgriInvest Expense Recorded in Fiscal Year (in millions of $) | Reversal of Prior Year Expense Recorded as Revenue (in millions of $) | Reversal as a Percentage of Initial Expense Recorded |
|---|---|---|---|
| 2007-08 | $ 115.8 | $ 37.3[7] | 32% |
| 2008-09 | 118.1 | 43.1 | 37% |
| 2009-10 | 131.4 | 46.4 | 35% |
| 2010-11 | 141.2 | 3.4 | 2.5% |
| 2011-12 | 83.4 | Not yet available | N/A |

Source: Ministry of Agriculture accounting records

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[6] SCIC assumed responsibility for administering the AgriStability program from the Federal Government starting with the 2009 crop year.

[7] A reduction to the AgriStability expense adjustment of $92.96 million was recorded in 2007-08 that was a cumulative adjustment relating to 2003-04 to 2007-08.

## 4.3 Strengthen Senior Management Approval of Accounting Estimates

Each year, the Federal Government asks Agriculture to provide, in writing, its agreement with the federal forecast of provincial AgriStability expenses. Both the Ministry and the Federal Government use this forecast to make decisions about the AgriStability Program.

To assess the reasonableness of the federal forecast, Agriculture reviews the assumptions used by the Federal Government to develop the federal forecast. The federal forecast relies on a number of key assumptions (e.g., future commodity prices). Agriculture uses a model to document and track the methods it uses to assess, recalculate, review, and agree upon the AgriStability forecast. For example, staff complete a checklist documenting who completes each required step and when. However, senior management does not formally review or approve the results of the forecast model before sending Agriculture's agreement with the forecast to the Federal Government.

Given the complexity and size of the AgriStability program, we expected senior management to actively oversee staff's review and assessment of the AgriStability forecast before providing Agriculture's agreement with the forecast to the Federal Government. Reviewing staff's work and leaving evidence of such would confirm senior management's agreement with key assumptions and that the assessment was completed as expected. This may help increase the likelihood of the resulting forecast providing a reasonable estimate of expected program costs thereby providing better information upon which to make program decisions. Management informed us that this review by senior management did occur, however, evidence of this review was not available.

2. **We recommend that the Ministry of Agriculture require senior management to review and document its approval of the results of the AgriStability forecast prior to providing the Ministry's agreement with the forecast to the Federal Government.**

## 4.4 Monitor Cash Receipts from Land Sales

We recommended that the Ministry of Agriculture develop processes to track cash receipts from land sales. (2011 Report – Volume 2)

**Status** – We continue to make this recommendation.

During 2011-12, Agriculture started to develop processes to track cash receipts from land sales. At March 31, 2012, the processes were not complete. Management told us that it finalized the processes in the fall of 2012. We will assess these new processes in our next audit.

## 4.5 Payroll Service Level Agreement in Place

We recommended that the Ministry of Agriculture establish an agreement with the Public Service Commission for providing payroll services that clearly assigns responsibility for key payroll activities. (2011 Report – Volume 2)

**Status** – Implemented.

In 2011-12, Agriculture and the Public Service Commission signed an agreement that clearly assigns responsibility for key payroll activities.

## 4.6 Need Disaster Recovery Plans

We recommended that the Ministry of Agriculture have tested disaster recovery plans for its critical computer systems. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status** – We continue to make this recommendation.

In July 2011, Agriculture signed a new memorandum of understanding with its information technology service provider the Information Technology Office (ITO). In November 2011, Agriculture approved a new information technology (IT) strategic plan. During the preparation and analysis for these activities, Agriculture had identified three critical IT systems (there are 50 IT systems in total) that need to be up and running in less than one week after the interruption in order to continue with its business operations.

In July 2012, Agriculture had an untested draft disaster recovery plan (DRP) for one of these systems, the Crown Land Management System. It had not developed a DRP for its other two critical IT systems (e.g., the Livestock Information Management System that it uses to record cattle inspection fees). Without implemented and tested DRPs, there is increased risk that Agriculture's critical IT systems will not be available when needed.

## 4.7 Improve IT Strategic Plan

We recommended that the Ministry of Agriculture prepare a written information technology plan. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented.

In 2011-12, Agriculture prepared and approved an information technology strategic plan.

## 4.8 IT Processes Strengthened

We recommended that the Ministry of Agriculture configure its critical information technology systems to require a unique password for each user and passwords to be changed periodically. (2011 Report – Volume 2)

**Status** – Implemented.

In 2011-12, Agriculture implemented new password requirements for its critical information systems. The requirements include having a unique password for each user and having passwords changed periodically.

## 4.9 Need ITO Assurance on Operating Effectiveness

We recommended that the Ministry of Agriculture obtain assurance from the Information Technology Office on the operating effectiveness of the Information Technology Office's controls over its client systems and data and assess the impact of deficient controls on the Ministry of Agriculture's operations. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status** – We continue to make this recommendation.

During 2011-12, Agriculture continued to work with ITO on obtaining information about the quality of ITO's controls over the Ministry's computer systems and data. During 2011-12, Agriculture did not receive such assurance.

# Chapter 4
# Corrections and Policing

## 1.0 MAIN POINTS

In this chapter, we report the results of the annual audit of the Ministry of Corrections, Public Safety and Policing (Ministry) and its related funds for the year ended March 31, 2012.

Effective May 25, 2012, Corrections and Policing became part of the Ministry of Justice, and Public Safety became part of the Ministry of Government Relations.

The Ministry of Corrections, Public Safety and Policing (Ministry) and its related funds complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The financial statements of the Correctional Facilities Industries Revolving Fund and the Sask911 Account are reliable for the year ended March 31, 2012. The Ministry's related funds have effective rules and procedures, but the Ministry needs to improve its rules and procedures to safeguard public resources. The Ministry needs to:

- Follow its policies and procedures for paying amounts owed to employees
- Establish written policies and procedures for making timely payments to First Nations for policing services
- Adequately monitor the security of its information technology systems and data, and complete its business continuity plan

The chapter also provides an update on the status of recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

The Ministry's mandate was to advance safe, secure communities through enhanced crime prevention and reduction, rehabilitation and treatment services and programs, emergency planning and communication, monitoring building standards, fire prevention and disaster assistance programs, and licensing and inspection services.[1]

### 2.1 Financial Overview

For the year ended March 31, 2012, the Ministry spent $517.9 million on its programs and had revenues of $202 million. Information about the Ministry's revenues and expenditures appears in its 2011-2012 annual report.[2]

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[1] Ministry of Corrections, Public Safety & Policing, *11-12 Annual Report*, p. 6.

[2] See http://www.justice.gov.sk.ca/cpsp-2011-12AnnualReport.

**Figure 1—Major Programs and Spending**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management & Services | $ 25.0 | $ 274.3 |
| Adult Corrections | 103.9 | 105.7 |
| Young Offender | 51.7 | 51.8 |
| Public Safety | 19.8 | 170.6 |
| Policing | 167.5 | 163.3 |
| Provincial Public Safety Telecommunication Network | - | 0.2 |
| Major Capital Projects | 10.7 | 6.3 |
| **Total Appropriation** | 378.6 | 525.3 |
| Capital Acquisitions | (13.5) | (10.7) |
| Capital Asset Amortization | 2.4 | 3.3 |
| **Total Expense** | $ 367.5[3] | $ 517.9 |

Source: *Ministry of Corrections, Public Safety and Policing, 11-12 Annual Report*.

In 2011-12, the Ministry spent $157 million on its provincial disaster assistance program and $146 million on its contract with the RCMP.

## 2.2 Related Special Purpose Funds

At March 31, 2012, the Ministry was responsible for the following special purpose funds:

| | Year-end |
|---|---|
| Correctional Facilities Industries Revolving Fund | March 31 |
| Sask911 Account | March 31 |

# 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

Our office worked with KPMG LLP, the appointed auditor, to carry out the audit of the Sask911 Account. We followed the framework in the *Report on the Task Force on Roles, Responsibilities, and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

**In our opinion, for the year ended March 31, 2012:**

- **The Ministry and the above-listed special purpose funds had effective rules and procedures to safeguard public resources except as described in this chapter**

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[3] The Estimates do not include an additional $153 million mostly for provincial disaster claims authorized through the Saskatchewan Supplementary Estimates.

- **The Ministry and the above-listed special purpose funds complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Correctional Services Act*
*The Correctional Services Trust Account Regulations*
*The Correctional Services Administration, Discipline and Security Regulations, 2003*
*The Youth Justice Administration Act*
*The Emergency Planning Act*
*The Fire Prevention Act, 1992*
*The Electrical Licensing Act*
*The Electrical Licensing Fees Regulations*
*The Gas Licensing Act*
*The Gas Licensing Regulations*
*The Police Act, 1990*
*The Police Regulations*
*The Technical Safety Authority of Saskatchewan Act*
*The Provincial Disaster Assistance Program Regulations, 2011*
*The Crown Employment Contracts Act*
*The Government Organization Act*
*The Financial Administration Act, 1993*
*The Public Service Act, 1998*
*The Purchasing Act, 2004*
*The Saskatchewan Telecommunications Holding Corporation Act*
*The Saskatchewan Telecommunications Act*
*The Sask911 Fees Regulations, 2003*
*The Emergency 911 System Act*
*The Public Safety Answering Point Regulations, 2011*
Orders in Council issued pursuant to the above legislation

- **The financial statements of the above-listed special purpose funds are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accounts (CICA) to make our judgments about the effectiveness of the Ministry's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing the Ministry's controls included a detailed evaluation of the Ministry's processes to pay eligible provincial disaster claims, to monitor the costs of policing services through the federal agreement with the Royal Canadian Mounted Police (RCMP), and to appropriately pay employees' salaries and wages (the majority of which were for correction workers).

## 3.1 Need to Follow Payroll Policies and Procedures

We recommended that the Ministry of Corrections, Public Safety and Policing supervise its employees to ensure they follow the Ministry's policies and procedures for paying amounts owed to employees. (2010 Report – Volume 1; Public Accounts Committee agreement May 11, 2011)

**Status** – We continue to make this recommendation.

The Ministry spent about $144 million on salaries and wages for the year ended March 31, 2012.

The Ministry paid employees based on timecards that were not properly approved and supported. During 2011-12, consistent with prior years, supervisors approved timesheets without having adequate support to show that employees worked the time claimed on the timesheets. We found 40% of the timecards we tested were either not properly approved or were not properly supported. Further, the Ministry did not always approve overtime in advance or ensure proper support existed to verify the overtime.

Therefore, the Ministry may be paying employees more salary than earned. Due to the nature of the process, the amount of potential loss cannot be quantified.

Given that the Ministry handles a payroll of about $144 million, it is cause for concern that 40% of timecards we tested were deficient.

These problems are consistent with findings we reported in our 2010 Report – Volume 1 – Chapter 4 (see **Exhibit 4.1**). On May 11, 2011 and June 7, 2011, PAC discussed and agreed with those recommendations.

## 3.2 Shared Services Agreement

We recommended that the Ministry of Corrections, Public Safety and Policing comply with the terms of the shared services agreement with the Ministry of Justice and Attorney General. (2010 Report – Volume 1; Public Accounts Committee agreement May 11, 2011)

**Status** – No longer relevant.

As discussed above, Corrections and Policing became part of the Ministry of Justice effective May 25, 2012.

## 3.3 Better Monitoring of IT Needed

We recommended that the Ministry of Corrections, Public Safety and Policing sign an adequate agreement on disaster recovery and security with the Information Technology Office. (2009 Report – Volume 1; Public Accounts Committee agreement February 2, 2010)

**Status** – Implemented.

During 2011-12, the Ministry signed a new memorandum of understanding with the Information Technology Office (ITO). The Ministry has also communicated its disaster recovery needs to ITO.

We recommended that the Ministry of Corrections, Public Safety and Policing adequately monitor the security of its information technology systems and data. (2009 Report – Volume 1; Public Accounts Committee agreement February 2, 2010)

**Status** – We continue to make this recommendation.

During 2011-12, the Ministry continued to receive monthly reports from ITO. The content of the reports are unchanged from prior years. Although the reports include information on ITO's activities such as service levels and costs, they include limited information on the security or availability of its systems and no information about the adequacy of ITO's controls or how weaknesses at ITO could impact the Ministry's systems and data. Consequently, the Ministry does not know if ITO is addressing the Ministry's security and disaster recovery needs.

Consistent with the prior year, the Ministry did not follow its processes for promptly removing user access from individuals who no longer work for the Ministry. For example, we found 9 out of 10 individuals tested did not have their network access removed promptly. In one instance, network access was not removed until almost three months after employment ended. Also, we found the Ministry did not remove access in a timely fashion for 11 out of 12 individuals no longer employed by the Ministry who had access to the MIDAS[4] financial or payroll systems. If former employees do not have access removed in a timely manner, it increases the risk of inappropriate access to the Ministry's systems and data.

## 3.4 Business Continuity Plan Not Completely Tested

We recommended that the Ministry of Corrections, Public Safety and Policing complete and implement its business continuity plan. (2007 Report – Volume 1; Public Accounts Committee agreement June 25, 2007)

**Status** – We continue to make this recommendation.

The Ministry maintains a current business continuity plan (BCP)[5] for its critical business functions. According to the plan, the Ministry is to review the plan on an annual basis and test it every 12 – 18 months. The Ministry updated its BCP in January 2012. In April 2012, the Ministry completed some BCP testing.

As noted above, the Ministry has identified its disaster recovery needs to ITO. However, ITO does not perform disaster recovery testing to ensure that the Ministry's critical systems can be recovered in a timely way in the event of a disaster. Without an adequate tested disaster recovery plan, the Ministry cannot have a completely tested BCP.

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[4] Multi-Informational Database Applications System.

[5] Business Continuity Plan (BCP)-Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

## 4.0 EXHIBITS

### 4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts (PAC)

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Corrections, Public Safety & Policing–Labour Costs Related to Absenteeism** (2010 Report – Volume 1) | | |
| 2011 | 4-4 that the Ministry of Corrections, Public Safety and Policing communicate to employees guiding principles such as personal accountability and fiscal responsibility. | **Not implemented**<br>(as of December 31, 2009)<br>Follow-up planned for 2013. |
| 2011 | 4-5 that the Ministry of Corrections, Public Safety and Policing set formal thresholds to monitor sick leave and excessive hours worked and communicate these thresholds to corrections workers. | **Not implemented**<br>(as of December 31, 2009)<br>Follow-up planned for 2013. |
| 2011 | 4-6 that the Ministry of Corrections, Public Safety and Policing monitor and control changes to work schedules to minimize labour costs in correctional centres (e.g. approval of shift trades, pay out of overtime). | **Not implemented**<br>(as of December 31, 2009)<br>Follow-up planned for 2013. |
| 2011 | 4-7 that the Ministry of Corrections, Public Safety and Policing pay corrections workers for actual hours worked. | **Not implemented**<br>(as of December 31, 2009)<br>Follow-up planned for 2013. |
| 2011 | 4-8 that the Ministry of Corrections, Public Safety and Policing establish processes to verify accurate data-entry of hours worked into the payroll system before paying employees. | **Not implemented**<br>(as of March 31, 2012)<br>Follow-up planned for 2013. |
| 2011 | 4-9 that the Ministry of Corrections, Public Safety and Policing periodically analyze absenteeism patterns and regularly report to senior management the risk factors that influence labour costs in correctional centres. The analysis should include all types of absenteeism (e.g. use of sick leave, shift trades) and related overtime costs. | **Not implemented**<br>(as of December 31, 2009)<br>Follow-up planned for 2013. |
| 2011 | 4-10 that the Ministry of Corrections, Public Safety and Policing establish adequate supervisory roles and responsibilities so that supervisors take prompt action on excessive absenteeism and overtime in correctional centres. | **Not implemented**<br>(as of December 31, 2009)<br>Follow-up planned for 2013. |

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| 2011 | 4-11 that the Ministry of Corrections, Public Safety and Policing implement an attendance management policy. | **Not implemented**<br>(as of December 31, 2009)<br>Follow-up planned for 2013. |
| **Ministry of Corrections, Public Safety & Policing–Rehabilitate Adult Inmates** (2008 Report – Volume 1) | | |
| 2009 | 2-3 That the Ministry of Corrections, Public Safety & Policing consistently comply with its policies to assess inmates' needs (primary & secondary) and plan relevant programs. | **Partially implemented**<br>(as of August 31, 2011) |
| 2009 | 2-5 That the Ministry of Corrections, Public Safety & Policing monitor the proportion of inmates accessing planned rehabilitation programs before the inmates are released into the community and enhance access to rehabilitation if required. | **Partially implemented**<br>(as of August 31, 2011) |
| 2009 | 2-6 That the Ministry of Corrections, Public Safety & Policing monitor re-offending rates in relation to rehabilitation programs to better evaluate its rehabilitation of inmates. | **Partially implemented**<br>(as of August 31, 2011) |
| **Ministry of Corrections, Public Safety & Policing–Managing for Results** (2005 Report – Volume 3) | | |
| 2007 | 10-1 That the Department of Corrections and Safety (CPS) ... should analyze and report quarterly to executive managers the departments' progress toward planned outcomes. | **Implemented**<br>(as of March 31, 2012)<br>On a monthly basis, the Ministry tracks achievement of internal performance measures. Quarterly, senior management receives a written report on key activities and progress towards goals. |

# Chapter 5
# Education

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Education (Education), its funds and plans.

The Ministry of Education (Education), the Technology Supported Learning Revolving Fund, the School Division Tax Loss Compensation Fund, the Prince of Wales Scholarship Fund, the Teachers' Superannuation Plan and the Teachers' Disability Plan, complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The financial statements of the Teachers' Superannuation Plan and Education's funds for the year ending 2012 are reliable.

Education, Teachers' Superannuation Plan, and Teachers' Disability Plan had effective rules and procedures to safeguard public resources except for the following:

- Education needs to enter into written agreements with school divisions setting out the terms and conditions of its capital grants and properly record them in its financial records

- Education needs to improve information technology (IT) processes to promptly remove user access, prepare an IT strategic plan, sign an adequate service level agreement with the Information Technology Office, and monitor the effectiveness of the Information Technology Office's security controls to protect Education's computer systems and data

In addition, in October 2012, we became aware that Education had provided at least $31 million in loan guarantees for capital projects to certain school divisions. For the year ended March 31, 2012, Education's and the General Revenue Fund's expenses and liabilities were understated by at least $31 million.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## 2.0 INTRODUCTION

Education provides leadership and direction to early learning and child care; Kindergarten through Grade 12 education; literacy; and library sectors. Education supports these areas through funding, governance, and accountability, with a focus on improving student achievement.[1]

For the year ended March 31, 2012, Education had 285 full-time equivalent positions.[2]

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[1] *Ministry of Education, 2011-12 Annual Report*, p. 6.
[2] Ibid., p. 6.

## 2.1 Financial Overview

For the year ended March 31, 2012, Education spent $1.56 billion on its programs and had revenues of $10.9 million. Information about Education's revenues and expenditures appears in its 2011-12 annual report (see www.education.gov.sk.ca/Annual-Report).

**Figure 1—Major Programs and Spending**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management and Services | $ 13.7 | $ 13.5 |
| Pre-K-12 Education | 1,136.0 | 1,229.0 |
| Early Learning and Child Care | 63.5 | 57.4 |
| Curriculum and E-Learning | 4.8 | 4.9 |
| Literacy | 2.5 | 2.0 |
| Provincial Library | 12.3 | 14.0 |
| Teachers' Pensions and Benefits | 198.5 | 224.6 |
| **Total Appropriation** | 1,431.3 | 1,565.4 |
| Capital Asset Acquisition | - | (1.9) |
| Capital Asset Amortization | 1.0 | 1.0 |
| Other | - | (0.3) |
| **Total Expense** | $ 1,432.3[3] | $ 1,564.2 |

Source: Ministry of Education, *11-12 Annual Report*

## 2.2 Related Special Purpose Funds, Plans and Agencies

At March 31, 2012, Education was responsible for school divisions and the following funds and plans:

| | Year-end |
|---|---|
| **Funds** | |
| Technology Supported Learning Revolving Fund | March 31 |
| School Division Tax Loss Compensation Fund | March 31 |
| Prince of Wales Scholarship Fund | March 31 |
| **Plans** | |
| Teachers' Superannuation Plan | June 30 |
| Teachers' Disability Plan | June 30 |
| Teachers' Dental Plan | June 30 |
| Teachers' Group Life Insurance Plan | August 31 |

We described our audit results of the school divisions and the Teachers' Group Life Insurance Plan for the year ended August 31, 2011 in our 2012 Report – Volume 1, chapters 1 and 3, respectively. For our audit results of the Teachers' Dental Plan, see Chapter 25.

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[3] The Estimates total does not included an additional $140.5 million authorized through the Saskatchewan Supplementary Estimates and statutory adjustments.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the years ended on or before June 30, 2012:**

- **Education and the plans had effective rules and procedures to safeguard public resources except as reported in this chapter**
- **Education, the funds, and the plans complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Government Organization Act*
*The Ministry of Education Regulations, 2007*
*The Education Act, 1995*
*The Education Funding Regulations*
*The School Division Tax Loss Compensation Fund Administration Regulations*
*The Child Care Act,* sections 21 and 22
*The Child Care Regulations, 2001*
*The Financial Administration Act, 1993*
*The Public Libraries Act, 1996,* sections 64 and 65
*The Public Libraries Regulations, 1996*
*The Public Service Act*
*The Teachers' Life Insurance (Government Contributory) Act,* section 6
*The Teachers' Superannuation and Disability Benefits Act*
*The Teachers' Superannuation and Disability Benefits Regulations*
*The Teachers' Dental Plan Act,* section 7
*The Pension Benefits Act, 1992*
*The Pension Benefits Regulations, 1993*
*The Tabling of Documents Act, 1991*
*The Crown Employment Contracts Act*
*Pension Benefits Standards Regulations, 1985* (Canada)
*Income Tax Act* (Canada), sections 147.1, 147.2, and 147.3
*Income Tax Regulations* (Canada), sections 8501-8504, 8512, 8514, 8520
Orders in Council issued pursuant to the above legislation

- **The financial statements for the Teachers' Superannuation Plan and the funds are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Education's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Education's rules and procedures to safeguard public resources included assessing the design and effectiveness of Education's control activities relating to making grants, which are approximately 97% of total Ministry expenditures.

## 3.1 Delegation of Authority Process Improved

We recommended that the Ministry of Education approve school division operating and capital grant payments in accordance with its delegation of authority. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

Education changed its processes to ensure that all school division operating and capital grant payments are in accordance with its delegation of authority.

## 3.2 Capital Transfer Agreements with School Divisions Needed

> We recommended that the Ministry of Education enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support the Ministry's expenses. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)
>
> **Status** – We continue to make this recommendation.

Education provided school divisions with general information on capital funding. The Minister also used approval forms to communicate its funding decisions to school divisions. However, these approval forms did not include the terms or conditions of these grants.

Without formal funding agreements that include the terms and conditions of the grants, there is increased risk that school divisions may misunderstand what they must do to qualify for grants or what they must do to keep the grants. As well, it may not always be clear when Education should record its capital grant expense.

## 3.3 Capital Grants to School Divisions Not Properly Recorded

In the current year, we identified capital projects totalling $21.8 million where Education had not recorded the liability and related expenses for approved capital projects at the time school divisions met the eligibility criteria for funding. We also identified capital projects totalling $15.8 million where Education recorded a liability before eligibility criteria for funding was met or did not adjust the amounts recorded as a liability when there were approved changes to, or cancellation of, previously approved projects. These errors resulted in Education's and the General Revenue Fund's expenses and liabilities being understated by $6 million as of March 31, 2012.

In October 2012, subsequent to the completion of our audit, we became aware that Education, in 2011-12, had provided loan guarantees for capital projects to certain school divisions. It had agreed to provide those school divisions with funding that allows them to repay their loans with financial institutions for their capital projects. These loans total at least $31 million.

Under Canadian generally accepted accounting principles, guaranteed loans expected to be repaid through government funding should be accounted for as a liability and expense in the year that the guarantee is made. This means that for the year ended March 31, 2012, Education's and the General Revenue Fund's expenses and liabilities were understated by at least an additional $31 million.

At the time of this report, we are further reviewing to determine whether other loans held by school divisions should be recorded as liabilities of Education and the General Revenue Fund. At March 31, 2012, school divisions had loans totalling $74.5 million. Our further review of this could indicate that an additional liability of $43.5 million may need to be recorded.

1. **We recommend that the Ministry of Education properly record capital grants to school divisions in its financial records.**

## 3.4 Human Resource Plan Improved

We recommended the Ministry of Education's (formerly Department of Learning) human resource plan should:

- Quantify its human resource needs
- Provide details on human resource gap between actual and required resources
- Provide details on plans to implement the major strategies

(2006 Report – Volume 3; Public Accounts Committee agreement March 20, 2007)

**Status** – Implemented.

Education has improved its human resource plan. The plan now identifies key issues and needs related to Education's workforce.

## 3.5 Information Technology Controls Need Improvement

We recommended the Ministry of Education (formerly Department of Learning) sign a service level agreement with the Information Technology Office. (2006 Report – Volume 3; Public Accounts Committee agreement March 20, 2007)

**Status** – We continue to make this recommendation.

During 2011-12, Education signed a memorandum of understanding with the Information Technology Office (ITO) identifying the roles and responsibilities for both parties. However, Education and ITO are still working on defining services, disaster recovery requirements and reporting as part of the agreement. Without an adequate service level agreement, Education's needs may not be met.

We recommended that the Ministry of Education (formerly Department of Learning) follow its established procedures for user access to its systems and data. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

**Status** – We continue to make this recommendation.

Education did not follow its processes for promptly removing user access from individuals who no longer work for Education. For example, we found 6 out of 13 individuals tested did not have their network access removed promptly. In one instance, access was not removed until 55 days after the employment ended. If former employees do not have access removed in a timely manner, it increases the risk of inappropriate access to Education's systems and data.

We recommended the Ministry of Education monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

ITO provides computers and network access to Education. ITO is a custodian for Education's information systems and data. To be certain that its information systems and data are secure, Education needs to monitor whether the security provided by ITO is adequate. Education receives reports from ITO. However, these reports were not adequate for Education to monitor the effectiveness of ITO's security controls. Therefore, Education did not know if ITO was addressing Education's security and disaster recovery needs.

We recommended the Ministry of Education prepare an information technology strategic plan. (2009 Report – Volume 3; Public Accounts Committee agreement May 12, 2010)

**Status** – We continue to make this recommendation.

Education is working on developing an information technology (IT) strategic plan.

An IT strategic plan can help management ensure IT initiatives are appropriate to meet Education's direction. It would also help management determine if it has addressed all the threats and risks to Education's security. Education needs an IT strategic plan to ensure its use of resources supports its strategic objectives.

## 4.0 EXHIBITS

### 4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Education – Child Care Facilities** (2010 Report – Volume 1) | | |
| 2011 | 5-3 that the Ministry of Education report trends in child care facilities' compliance with *The Child Care Regulations* to senior management quarterly and to the public annually. | **Partially implemented**<br>(as of March 31, 2012) |
| **Ministry of Education – Instruction Time** (2009 Report – Volume 3) | | |
| 2011 | 4-3 that the Ministry of Education define "instruction time" to set clear expectations for delivery of the core curriculum. | **Partially implemented**<br>(as of September 30, 2011) |
| 2011 | 4-4 that the Ministry of Education require school divisions to publicly report on their performance in meeting the Ministry's instruction time requirements. | **Partially implemented**<br>(as of September 30, 2011) |
| 2011 | 4-5 that the Ministry of Education monitor for all core curriculum areas of study the extent to which school divisions meet the Ministry's requirements for instruction time. | **Partially implemented**<br>(as of September 30, 2011) |
| 2011 | 4-6 that the Ministry of Education take corrective action where necessary to improve school division compliance with the Ministry's requirements for instruction time. | **Not implemented**<br>(as of September 30, 2011) |

# Chapter 6
# eHealth Saskatchewan

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the eHealth Saskatchewan (eHealth) for the year ended March 31, 2012.

eHealth's 2012 financial statements are reliable, it complied with its governing authorities, and had effective controls to safeguard public resources except for the following.

eHealth needs to authorize all requests for changes to accounting records on a timely basis. Lack of review and approval increases the risk of fraud and errors without timely detection.

eHealth needs to improve its information technology security. Without strong security processes, eHealth cannot ensure the confidentiality, integrity, and availability of its own information technology systems and data, or systems and data that it operates and maintains for the regional health authorities.

## 2.0 INTRODUCTION

Saskatchewan Health Information Network (SHIN) was established as a Treasury Board Crown Corporation by Order in Council 581/1997. SHIN was renamed eHealth Saskatchewan by Order in Council 734/2010.

eHealth's mandate is to procure, implement, own, operate and manage the Saskatchewan electronic health record (EHR), and where appropriate other health information systems. These other systems include the associated provincial components and infrastructure to facilitate improved health provider and patient access and use of electronic health information. eHealth also establishes the provincial health information and technology standards necessary to access the Saskatchewan EHR and the associated provincial components and infrastructure.[1]

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **eHealth had effective rules and procedures to safeguard public resources except for the matters noted in this chapter**

- **eHealth complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

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[1] *Saskatchewan Provincial Budget 12-13 Estimates*, p. 181.

*The Crown Corporation Act, 1993*
*The Financial Administration Act, 1993*
*The Tabling of Documents Act, 1991*
*The Health Information Protection Act*
Orders in Council issued pursuant to the above legislation

**eHealth had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of eHealth's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of eHealth's controls to procure, implement, operate and manage health information systems. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

## 3.1 Changes to Accounting Records Need Approval

eHealth needs to authorize all requests for changes to accounting records (journal entries) on a timely basis.

eHealth does not require management to review and approve all journal entries before making changes to its accounting records. Lack of review and approval increases the risk of fraud and errors without timely detection.

1. **We recommend that eHealth Saskatchewan approve all requests for changes to accounting records (journal entries) before changing its accounting records.**

## 3.2 Better Compliance with Information Technology Security Policies Needed

eHealth needs to strengthen its information technology security.

eHealth has documented information technology (IT) security policies. However, it has not documented procedures that staff must follow to implement those policies. For example, checklists for security checks and periodic maintenance would ensure that tasks are completed on a timely basis. Without strong security processes, eHealth cannot ensure the confidentiality, integrity, and availability of its own IT systems and data, or systems and data that it operates and maintains for the regional health authorities.

We found that staff did not follow policies when disposing of old computers. As a result, eHealth inappropriately disposed of 43 computers, some of which had personal health information on their hard drives. eHealth later recovered 36 of the hard drives. The remaining seven hard drives have not been recovered. eHealth forensically examined 27 of the recovered drives and determined no information on the 27 hard drives was accessed after disposal. eHealth did not forensically examine the remaining nine hard drives because they either never left the Ministry of Health's possession, or had been already destroyed prior to physical recovery of the computers.

2. **We recommend that eHealth Saskatchewan follow its policies when disposing of information technology and communication equipment.**

## 3.3 Disaster Recovery Plan Needed

We recommended that eHealth Saskatchewan have an approved and tested disaster recovery plan for systems and data (2007 Report – Volume 3; PAC agreement January 8, 2008)

**Status** – We continue to make this recommendation.

A disaster recovery plan defines staff responsibilities and documents system recovery process.

eHealth does not have an approved and tested disaster recovery plan for its data centre that identifies how to restore IT systems and data in the event of a catastrophic IT event. Also, as eHealth provides regional health authorities some IT services, its disaster recovery plan should address regional health authorities' requirements for recovery of their systems and data. Although some regional health authorities have documented disaster recovery plans, the adequacy of those recovery plans very much depends on the adequacy of the recovery plan of eHealth (see Chapter 19). Once eHealth has developed a complete plan, it needs to test the plan to assess its effectiveness.

# Chapter 7
# Energy and Resources

## 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Energy and Resources (Ministry) and its special purpose funds for the years ended March 31, 2012. The Ministry and its special purpose funds (the Oil and Gas Orphan Fund, the Institutional Control Monitoring and Maintenance Fund, and the Institutional Control Unforeseen Events Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the 2012 financial statements of its three special purpose funds are reliable.

The Ministry and its special purpose funds had effective rules and procedures to safeguard public resources except that the Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data. See Chapter 31 for a further exception.

Effective May 25, 2012, the Ministry's activities continue within the Ministry of the Economy.

## 2.0 INTRODUCTION

The Ministry works to achieve sustainable development of Saskatchewan's diverse energy, mineral, and forestry resources, including oil and gas, potash, and uranium. It has a regulatory role with industry and develops and administers various tax and royalty structures related to resources. It also has a major development and promotional focus, with programs and policies that encourage exploration, research, and value-added investment in resources and resource projects.[1]

### 2.1 Special Purpose Funds

The Ministry is responsible for maintaining the following special purpose funds:

Year Ended March 31
Oil and Gas Orphan Fund
Institutional Control Monitoring and Maintenance Fund
Institutional Control Unforeseen Events Fund

### 2.2 Financial Overview

The Ministry collected $2.4 billion in revenues and received $47.6 million from the General Revenue Fund for its programs. Information about the Ministry's revenues and expenses appear in the Ministry's *2011-12 Annual Report* (see www.er.gov.sk.ca ). The Ministry's major revenues, programs and spending include:

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[1] Saskatchewan. Ministry of Finance. (2012). *2012-13 Saskatchewan Provincial Budget*: Estimates, Regina: Author, p 49.

**Figure 1—Revenues**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Oil | $ 1,410.1 | $ 1,528.8 |
| Crown Land Sales | 436.4 | 235.5 |
| Natural Gas | 22.5 | 17.3 |
| Potash | 381.3 | 438.4 |
| Other Minerals | 140.3 | 149.1 |
| Other Own-Source Revenue | 46.8 | 43.5 |
| **Total Revenues** | $ 2,437.4 | $ 2,412.6 |

Source: Ministry of Energy and Resources, *11-12 Annual Report*, p. 31.

**Figure 2—Major Programs and Spending**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management and Services | $ 24.4 | $ 21.6 |
| Forestry Development | 1.4 | 2.4 |
| Revenue and Program Services | 3.2 | 2.9 |
| Petroleum and Natural Gas | 9.3 | 9.9 |
| Minerals, Lands and Policy | 10.8 | 10.8 |
| **Total Appropriation** | 49.1 | 47.6 |
| Capital Asset Acquisition | (14.1) | (11.0) |
| Capital Asset Amortization | 2.1 | 0.2 |
| **Total Expenses** | $ 37.1 | $ 36.8 |

Source: Ministry of Energy and Resources, *11-12 Annual Report*, p. 29.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **The Ministry had effective rules and procedures to safeguard public resources except for the matters described in this chapter and Chapter 31**

- **The Ministry complied with the following authorities governing its activities and its special purpose funds relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Crown Minerals Act*
*The Crown Oil and Gas Royalty Regulations*
*The Coal Disposition Regulations, 1988*
*The Petroleum and Natural Gas Regulations, 1969*
*The Mineral Disposition Regulations, 1986* (Crown Mineral Royalty Schedule)
*The Delayed Payment Charge Regulations, 1970*
*The Subsurface Mineral Regulations, 1960*
*The Energy and Mines Act*
*The Mineral Exploration Incentive Regulations*
*The Economic and Co-operative Development Act* (Section 8(a) only)
*The Freehold Oil and Gas Production Tax Act, 2010*
*The Freehold Oil and Gas Production Tax Regulations, 1995*
*The Recovered Crude Oil Tax Regulations*
*The Mineral Resources Act, 1985*
*The Mineral Taxation Act, 1983*
*The Potash Production Tax Regulations*
*The Freehold Coal Production Tax Regulations*
*The Oil and Gas Conservation Act*
*The Oil and Gas Conservation Regulations, 1985*
*The Surface Rights Acquisition and Compensation Act*
*The Pipelines Act, 1998*
*The Reclaimed Industrial Sites Act*
*The Forest Resources Management Act,* Section 5
*The Financial Administration Act, 1993*
*The Government Organization Act*
*The Purchasing Act*
*The Revenue and Financial Services Act*
*The Tabling of Documents Act, 1991*
*The Petroleum Research Incentive Regulations*
Orders in Council issued pursuant to the above legislation

- **The financial statements of the Ministry's special purpose funds are reliable**

We used the control framework developed by Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Ministry's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing the Ministry's rules and procedures to safeguard public resources includes evaluating the Ministry's financial controls for estimating and collecting its revenues and administering its spending. In addition, we evaluated the Ministry's controls around its significant IT systems and processes for collecting its revenues and keeping reliable financial records.

## 3.1 Remove User Access on a Timely Basis

We recommended that the Ministry of Energy and Resources follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

During the year, we noted five instances where the Ministry had not removed user access on a timely basis. The Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data.

Unless it follows its established procedures for removing user access, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data. As a result, the Ministry risks inappropriate access to confidential information and the loss of public money.

# Chapter 8
# Environment

## 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Environment (Environment) and its agencies for the year ended March 31, 2012.

Environment and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2012 financial statements of Environment's agencies are reliable.

We made one new recommendation that Environment should comply with its policies for all purchases. It is important that employees understand the established policies and the importance of following those policies.

Environment has made some progress in addressing our past recommendations. However, Environment still needs to establish adequate processes to secure its systems and data, enter into an adequate agreement with the Information Technology Office, and prepare a complete business continuity plan.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

Environment is responsible for working with Saskatchewan stakeholders to protect the water, air and natural resources to achieve a high environmental standard and to support sustainable development in the use of these resources. Environment's mandate includes guiding government efforts to help Saskatchewan people and communities "Go Green" and to meet provincial greenhouse gas emission targets.[1]

### 2.1 Financial Overview

For the year ended March 31, 2012, Environment spent $200.9 million (2011 - $222 million) including net capital acquisitions of $13.1 million (2011 - $14 million). Also, Environment recorded revenue of $52 million (2011 - $51 million) from licenses and permit fees for fishing, hunting, forestry; non-refundable deposits on beverage containers; and fire suppression cost sharing agreements. In addition, Environment raised revenue and incurred expenses through the Fish and Wildlife Development Fund and nine forest management funds. At March 31, 2012, Environment had 754 employees.[2]

Information about Environment's revenues and expenditures appear in Environment's 2011-12 annual report (see www.environment.gov.sk.ca/Annual-Report).

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[1] Saskatchewan Ministry of Finance. *2011-12 Saskatchewan Provincial Budget: Estimates*, p. 59.

[2] Government of Saskatchewan. *Public Service Commission 2011-12 Annual Report*. p. 28.

**Figure 1** presents Environment's major programs and spending.

**Figure 1—Comparison of Estimates to Actual Spending by Program**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management Services | $ 16.8 | $ 16.7 |
| Climate Change | 16.3 | 12.5 |
| Land | 3.0 | 2.8 |
| Environmental Support | 13.4 | 12.5 |
| Fish, Wildlife and Biodiversity | 9.1 | 8.7 |
| Compliance and Field Services | 16.1 | 16.7 |
| Environmental Protection | 34 | 66.8 |
| Forest Service | 11.7 | 11.7 |
| Fire Management and Forest Protection | 68.5 | 58.9 |
| **Total Appropriation**[3] | 188.9 | 207.3 |
| Capital asset acquisitions | (15.1) | (13.1) |
| Capital asset amortization | 6.7 | 6.7 |
| **Total Expenses** | $ 180.5 | $ 200.9 |

Source: 2011-12 *Ministry of Environment Annual Report*

## 3.0 BACKGROUND

The authority for Environment is contained in *The Ministry of Environment Regulations, 2007* under *The Government Organization Act*. At March 31, 2012, Environment was responsible for the following special purpose funds and Crown agencies (agencies). Each one has a March 31 year-end.

Fish and Wildlife Development Fund
Operator Certification Board
Water Appeal Board

The Saskatchewan Water Security Agency is reported in Chapter 22.

## 4.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **Environment and its agencies had effective rules and procedures to safeguard public resources except for the matters described in this chapter**

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[3] The Ministry received a special warrant of $33.86 million during the year. Therefore it did not exceed its appropriation.

- **Environment and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Conservation and Development Act*
  *The Conservation and Development Regulations*
  *The Crown Resource Land Regulations*
  *The Drainage Control Regulations*
  *The Environmental Management and Protection Act, 2002*
  *The Federal-Provincial Agreements Act*
  *The Financial Administration Act, 1993*
  *The Fisheries Act (Saskatchewan), 1994*
  *The Fisheries Regulations*
  *The Forest Resources Management Act*
  *The Forest Resources Management Regulations*
  *The Government Organization Act*
  *The Ground Water Regulations*
  *The Litter Control Act*
  *The Litter Control Designation Regulations*
  *The Ministry of Environment Regulations, 2007*
  *The Natural Resources Act*
  *The Prairie and Forest Fires Act, 1982*
  *The Provincial Lands Act*
  *The Provincial Lands Regulations*
  *The Public Service Act, 1998*
  *The Purchasing Act, 2004*
  *The Reservoir Development Area Regulations*
  *The Saskatchewan Watershed Authority Act, 2005*
  *The State of the Environment Report Act*
  *The Water Appeal Board Act*
  *The Water Power Act*
  *The Water Regulations, 2002*
  *The Watershed Associations Act*
  *The Wildlife Act, 1998*
  *The Wildlife Regulations, 1981*
  Orders in Council issued pursuant to the above legislation

- **The financial statements of the agencies listed in Section 3.0 are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Environment and its agencies' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audits, we examined the effectiveness of Environment's and its agencies' financial-related controls used to administer their spending, their revenues, and their various assets consistent with related authorities. In addition, we examined the effectiveness of the controls Environment used to keep reliable financial records, prepare reliable financial reports, and safeguard the Crown lands that it administers. This year, we paid particular attention to the following areas:

- The Beverage Container Collection and Recycling system

- The payment processes as Environment provides financial support through operating grants to the Fish and Wildlife Development Fund, the Saskatchewan Watershed Authority and the Water Appeal Board

- The wildfire management, forest services, and land policies as these help to safeguard Crown resources (such as land, forests, and water)

- The lease, licence, and permit revenues including controls over key computer systems that Environment relies on to administer its programs

## 4.1 Monitors Forest Management Funds

We recommended that the Ministry of Environment establish processes to verify that:

- the operators paid the correct fees to the relevant forest management fund or forest trust fund; and
- the managers of these funds use the money collected for the purposes intended including reforestation

(2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

**Status** – Implemented.

Environment has nine forest management funds used to collect fees from forest operators and other licensees based on the number and types of trees harvested under *The Forest Resources Management Act*. The forest operators or their trustees hold these funds. At March 31, 2012, these funds held approximately $9.3 million for the Government.

Forest operators collect fees and pay for reforestation activities. Environment must ensure that all operators of forest management agreements and term supply licenses collect and pay the correct fees into the relevant forest management fund for reforestation and for other activities. Environment must also ensure that forest operators used the money for its intended purposes.

During 2011-12, Environment created and implemented a directive on the quarterly and year-end review of reforestation fees in the funds to determine if operators paid the correct fees into the funds and if managers used the funds for purposes intended.

## 4.2 Payroll Guidance Followed

We recommended that the Ministry supervise its employees to ensure they follow the Ministry of Environment's policies and procedures for preparing the amount owing to terminated employees. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Implemented.

Environment paid salaries and wages totalling approximately $63.3 million for the year ended March 31, 2012.

In the past, supervisors did not submit all staff termination documents prior to the Public Service Commission (PSC) calculating final pay, which resulted in overpayments. Environment has since implemented a process for having termination documents submitted to PSC in a timely manner.

## 4.3 Payroll Services Agreement Signed

We recommended the Ministry of Environment modify its agreement with the Public Service Commission clarifying responsibilities for key payroll activities. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

In 2011-12, Environment and the Public Service Commission signed an agreement that clearly assigns responsibility for key payroll activities.

## 4.4 Compliance with Policies Needed

Environment has various operating policies and procedure manuals that provide guidance to its employees. The manuals provide direction to employees for initiating purchases and processing payments. The Ministry must ensure its employees understand the established policies and the importance of following them.

During the year, Environment's Internal Audit found several instances where purchase orders were created after the goods or services were received. Most of these instances were in the Wildfire Management Branch.

It is important that goods and services be appropriately authorized prior to purchase so that only needed items and services are purchased.

1. **We recommend that the Ministry of Environment comply with its policies for all purchases.**

## 4.5 Adequate IT Service Agreement Needed

We recommended the Ministry of Environment sign an adequate agreement with the Information Technology Office for information technology services. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

During 2011-12, Environment made some progress on implementing this recommendation. However, Environment's agreement with the Information Technology Office (ITO), signed in July 2011, does not adequately address disaster recovery and Environment's ability to obtain assurance as to the security of its information systems. Also, although Environment's officials met with ITO officials to discuss services provided and issues, Environment does not receive sufficient information about the quality of ITO's security controls or ITO's plans to handle disasters that may affect Environment's computer systems or data. As a result, Environment does not know whether ITO can restore Environment's systems and data when needed in the event of a disaster and whether ITO has kept Environment's data secure.

## 4.6 Processes to Secure Data Needed

We recommended that the Ministry of Environment establish adequate processes to secure data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

To ensure the security of its computer systems, Environment needs to monitor whether the security ITO provides is adequate. Environment does not ask for or receive any information from ITO on the security or availability of its systems.

Environment needs to ensure it has strong security to protect its information technology (IT) systems and data. Without strong security plans and processes, Environment cannot ensure the confidentiality, integrity, and availability of its systems and data. Also, management may not know if it has addressed all of the threats and risks to Environment's systems and data. An IT plan can help management do so.

Environment accepts credit card payments for some fees, such as the Big Game Draw.[4] It is required to comply with industry standards for credit cards as part of its agreement with its credit card service provider. Environment has processes in place surrounding Payment Card Industry compliance, however they are not adequate and do not comply with these standards. Lack of compliance with industry security standards increases the risk of unauthorized access to credit card information by others without ready detection. This could lead to loss of public money, loss of reputation, and loss of the ability to process payments by credit card. Environment indicated that it has initiated a third-party review to assess its existing processes.

Environment has established procedures for granting and removing user access to its computer systems and data. However, employees did not always follow its established procedures. During the audit, we noted ten instances where Environment did not remove access to its systems and data for those who no longer needed such access.

Environment uses a computer system to issue licenses. During our audit, we noted that all users in this system are capable of carrying out some computer administrator responsibilities. This increases the risk of loss of revenue. Environment needs to monitor user access to license systems to ensure user access is appropriate.

Environment uses a computer system in its leases and land sales operations. During our audit, we found that there was no process for the Ministry to review the computer system's user access to determine if the access granted was appropriate. This increases the risk of inappropriate user access to the system. Environment needs to monitor user access to this computer system to ensure user access is appropriate.

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[4] The Big Game Draw is a transparent and equitable method of allocating a limited number of hunting licences to Saskatchewan residents.

## 4.7 Complete Business Continuity Plan Needed

We recommended that the Ministry of Environment prepare a complete business continuity plan. (2006 Report – Volume 3; Public Accounts Committee agreement March 7, 2007)

**Status** – We continue to make this recommendation.

Environment provides a number of environmental programs and services to Saskatchewan residents as part of its mandate. It must carry out its mandate even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan (BCP), Environment is at risk of not being able to deliver its programs and services in a timely manner.

In May 2012, Environment prepared an overall BCP document but needs to complete the business resumption plans for each of its critical systems.

# 5.0 EXHIBITS

## 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Environment (Regulating Air Emissions)** (2004 Fall Report – Volume 1) | | |
| 2005 | 10-3 that the Ministry of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly. | **Partially implemented** (as of March 31, 2011) |
| 2005 | 10-4 that the Ministry of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints. | **Partially implemented** (as of March 31, 2011) |
| 2005 | 10-6 that the Ministry of Environment should establish systems to collect and maintain information to prepare reliable reports. | **Partially implemented** (as of March 31, 2011) |

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| 2005 | 10-7 that the Ministry of Environment should improve its internal and external reporting on air emissions. | **Partially implemented**<br>(as of March 31, 2011) |
| **Ministry of Environment (Regulating Contaminated Sites)** (2008 Fall Report – Volume 1) | | |
| 2009 | 4-1 that the Ministry of Environment establish an adequate system for tracking contaminated sites. | **Partially implemented**<br>(as of March 31, 2011) |
| 2009 | 4-2 that the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priority. | **Not implemented**<br>(as of March 31, 2011) |
| 2009 | 4-3 that the Ministry of Environment complete its written guidance for monitoring contaminated sites. | **Partially implemented**<br>(as of March 31, 2011) |
| 2009 | 4-4 that the Ministry of Environment prepare a communication plan for internal and external reporting on the status of contaminated sites. | **Partially implemented**<br>(as of March 31, 2011) |
| **Ministry of Environment (Regulating Reforestation)** (2009 Fall Report – Volume 3) | | |
| 2011 | 6-4 that the Ministry of Environment establish processes for setting reforestation terms and conditions and for approving forest product permits. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-5 that the Ministry of Environment establish processes to set reforestation fees at a level to cover reforestation costs. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-6 that the Ministry of Environment set a formal plan to ensure proper reforestation of the forest. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-7 that the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-9 that the Ministry of Environment receive regular reports with adequate information to properly oversee and regulate reforestation. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-10 that the Ministry of Environment develop a communication strategy to inform stakeholders about the effectiveness of reforestation activities in the Province. | **Partially implemented**<br>(as of March 31, 2011) |

# Chapter 9
# Finance

## 1.0 MAIN POINTS

The chapter reports the results of our annual audit of the Ministry of Finance (Finance) and its agencies. Finance and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2012 financial statements of the agencies are reliable. Finance and its agencies had effective rules and procedures to safeguard public resources except for the items noted in this chapter.

Finance receives and records corporate income tax revenue for the Province. It also administers the corporate capital tax program including the resource surcharge revenues. Finance needs to improve the processes it uses to record both corporate income tax and resource surcharge revenues so that revenue is recorded in the proper period.

Finance did not receive sufficient information to monitor its information technology systems. It continued to work with the Information Technology Office to obtain better information. Also, Finance did not follow its processes to remove unneeded user access to its information technology systems and data.

Finance had not yet set market-based benchmarks for its sinking fund investments to help it evaluate whether it earned an effective return on these investments. It also had not yet completed the documentation of its treasury management procedures.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to the Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- Administering and collecting provincial taxes
- Arranging government financing, banking, investing, and borrowing
- Administering certain public sector pension and benefit plans
- Receiving revenues from taxation and transfers
- Controlling spending from the General Revenue Fund (GRF)
- Maintaining ministry-wide revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (called MIDAS Financials)

- Providing information, advice, and analysis on:
    - Government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions relating to the GRF
    - Strategic policy on matters related to public sector compensation and management or collective bargaining
    - Financial management and accounting
    - Annual performance planning, measuring, and reporting processes[1]

## 2.1 Special Purpose Funds and Agencies

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the Growth and Financial Security Fund[2]) provide the Legislative Assembly with audited financial statements; some also provide an annual report.

Year ended March 31
General Revenue Fund
Growth and Financial Security Fund
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

Year ended December 31
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Group Life Insurance Fund
Saskatchewan Government Insurance Service Recognition Plan
Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Supplementary Superannuation Plan

See Chapter 1 for the results of our audit of the General Revenue Fund.

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[1] Ministry of Finance. (2012). *2011-12 Annual Report*.
[2] This Fund does not prepare financial statements and is not legally required to do so.

## 2.2 Financial Overview

For the year ended March 31, 2012, Finance managed gross public debt of $10.9 billion (2011 - $10.5 billion) and investments in sinking funds of $2.6 billion (2011 - $2.4 billion).[3] It administered revenues of $8.0 billion (2011 - $8.0 billion) and spent approximately $0.8 billion (2011 - $0.8 billion).[4] **Figure 1** compares actual revenue to budget by major type of revenue, **Figure 2** compares actual spending to budget by program.

Finance's annual report explains significant differences between actual and budgeted revenues and expenses.

**Figure 1—Comparison of Estimates to Actual by Major Type of Revenue**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Taxation | $ 5,259.8 | $ 5,026.9 |
| Non-Renewable Resources–Resource Surcharge | 438.3 | 452.8 |
| Transfers from Government Entities | 567.9 | 731.9 |
| Other Own-Source Revenue | 300.1 | 416.3 |
| Transfers from the Federal Government | 1,209.8 | 1,209.6 |
| **Total** | $ 7,775.9 | $ 7,837.5 |

Source: *Saskatchewan Provincial Budget 11-12 Estimates* (votes 12 and 18); Ministry of Finance (2012). *11-12 Annual Report.*

**Figure 2—Comparison of Estimates to Actual Spending by Major Program**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Public Service Pension and Benefits | $ 280.9 | $ 307.8[5] |
| Revenue Division | 16.9 | 16.8 |
| Research and Development Tax Credit | 15.0 | 33.8 |
| Provincial Comptroller | 12.5 | 12.7 |
| Central Management and Services | 6.4 | 6.7 |
| Budget Analysis | 5.0 | 4.9 |
| Treasury and Debt Management | 2.3 | 1.9 |
| Personnel Policy Secretariat | 0.5 | 0.4 |
| Miscellaneous | 0.1 | 0.1 |
| **Total Appropriation – Vote 18** | 339.6 | 385.1 |
| Capital Asset Acquisitions | (1.0) | (2.1) |
| Amortization of Capital Assets | 1.2 | 1.1 |
| **Total Expense – Vote 18** | 339.8 | 384.1 |
| Debt Servicing Appropriation and Expense – Vote 12 | 420.0 | 412.0 |
| **Total Expense – Finance** | $ 759.8 | $ 796.1 |

Source: *Saskatchewan Provincial Budget 11-12 Estimates* (votes 12 and 18), Ministry of Finance (2012). *11-12 Annual Report,* and *Public Accounts 2011-12 Volume 2 Details of Revenue and Expense.*

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[3] Government of Saskatchewan. (2012) *2011-12 Public Accounts, Volume 1*, p. 69.

[4] Ministry of Finance. (2012). *11-12 Annual Report.*

[5] Finance determines the estimated and actual expenses for public service pension and benefits using the cash basis of accounting instead of the accrual basis. The cash-based amount reported in Finance's annual report was $281.9 million. Using the accrual basis of accounting for the year ended March 31, 2012, the actual expense was $307.8 million (restated to include $25.9 million of unrecorded pension costs of the Public Service Superannuation Plan).

**Figure 3—Comparison of Estimates to Actual Spending by Object**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Debt Servicing | $ 420 | $ 412 |
| Salaries and Benefits (Includes Pensions) | 304 | 331[5] |
| Transfers – Operating | 15 | 33 |
| Goods and Services | 20 | 19 |
| Capital Asset Amortization | 1 | 1 |
| **Total Expense** | $ 760 | $ 796 |

Source: *Saskatchewan Provincial Budget 11-12 Estimates* (votes 12 and 18), Ministry of Finance (2012). *11-12 Annual Report*.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

To complete our audit of the Public Employees Pension Plan, our Office worked with Deloitte & Touche LLP, the appointed auditor. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

**In our opinion, for the year ended March 31, 2012:**

- **Finance and its agencies had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Finance and its agencies complied with the authorities in Section 5.2 governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **Finance's agencies with March year ends had reliable financial statements**

To do our work, we used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Finance's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of Finance's financial-related controls used to administer the revenue listed in **Figure 1** and spending listed in **Figure 2**. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

Because final tax assessments or valuation of resource sales may differ from initial assessment or valuation upon which tax installments are made, Finance must estimate its income tax and resource surcharge revenues. We assessed the processes that Finance used to assess, estimate, collect, and record its revenues. Because Finance administers the GRF's bank accounts, short and long-term debt, and short and long-term investments (including investments in the Government's sinking funds), we assessed Finance's processes to record and manage cash, including its bank reconciliation procedures and the opening and closing of bank accounts. In addition, we examined Finance's processes to buy and sell investments and to obtain and repay debt.

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2012, the Government approved, through Orders in Council (special warrants), spending of $425.6 million; the Legislative Assembly later approved these amounts through appropriation acts.

## 3.1 Estimating Corporate Income Tax Revenue

Starting in 2012-13, planned changes in the timing of the receipt of cash from the Federal Government for corporate income tax may result in differences between cash receipts and the revenue earned by the Government.

Under a tax collection agreement with the Federal Government, the Federal Government administers the provincial corporate income tax program. The Federal Government collects Saskatchewan's share of corporate income tax from taxpayers and pays Finance as set out in the agreement.

On September 6, 2012, the Government approved a new tax collection agreement with the Federal Government.[6] Under the amended agreement, Finance will receive corporate income tax payments from the Federal Government sooner than in previous years.[7] For example, in future years, it will receive 12 months of corporate income tax revenue over a six-month period beginning in February.

Finance accounts for corporate income tax revenue using the following accounting policy: "for corporate and individual income taxes, cash received from the Federal Government is used as the basis for estimating the tax revenue."

In 2011-12, Finance received $794 million from the Federal Government. It used this amount as its best estimate of revenue because it felt that the federal cash received approximated the revenue it earned for that period based on the information available at March 31, 2012.[8] We agreed that those federal cash receipts provided a reasonable estimate of Finance's revenue based on information available to the date of the completion of the Government's financial statements. As such, we considered this policy consistent with Canadian public sector accounting standards (GAAP).

GAAP recognizes that income tax revenue is not known with certainty until returns are assessed, and audits, appeals, and/or court decisions are finalized. As a result, GAAP requires governments to record income tax revenue based on the earning of taxable income by corporations.

Corporations make installment tax payments to the Federal Government for federal and applicable provincial taxes.[9] Those installments approximate the taxes that corporations expect to pay on their taxable income and reflect the best amount upon which to record corporate income earned by Saskatchewan. Corporations make tax installments throughout the year (e.g., on quarterly or monthly basis).

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[6] Order in Council 487/12.

[7] In 2012-13, Finance will receive 26 installments of which 18 will be for the 2012 tax year and eight for the 2013 tax year. Each year thereafter, it will receive 12 equal installments throughout a six-month period beginning in February.

[8] Corporate income tax is included as revenue in the Summary Financial Statements and in the financial statements of the General Revenue Fund.

[9] Some corporations pay corporate income taxes in more than one province.

By Saskatchewan receiving, from the Federal Government, the full year's corporate income tax within a six-month period, the timing of the federal cash receipts will no longer align with the general timing of installments made by corporate income taxpayers. Finance's year end of March 31 falls within this six-month period. So, if Saskatchewan continues to use federal cash receipts as the basis of recording corporate income tax revenues, corporate income tax revenues will be accounted for in the incorrect year.

To correctly estimate the corporate income tax revenues earned for a fiscal year, Saskatchewan will need to consider the amount of installments received from corporations for Saskatchewan corporate income taxes during its fiscal year. This information is available from taxpayers. The current tax collection agreement does not require the Federal Government to provide Saskatchewan with information about installments.

Based on Finance's corporate income tax forecast published in the Government's 2012-13 1st Quarter Financial Report – General Revenue Fund (p. 4), Finance plans to continue to use federal cash receipts for corporate income tax as its best estimate of its corporate income tax revenue.

Without an adjustment to its processes to estimate and record corporate income tax revenues that it earns within a fiscal period, future financial statements of the Government may contain significant errors.

1. **We recommend that the Ministry of Finance revise its processes to estimate and record corporate income tax revenues so that it only records revenue that it has earned.**

## 3.2 Implementation of Past Finance-Related Recommendations Needed

**Figure 4** sets out our past finance-related recommendations by theme indicating the status of each recommendation at March 31, 2012. It indicates whether PAC has considered the recommendation and if so, the results of its consideration, and the actions the Ministry took during 2011-12.

**Figure 4—Status of Past Recommendations**

| Past Recommendation (Initial Report) | Status of Recommendation | Status of PAC Consideration at September 30, 2012 | Finance Actions in 2011-12 |
|---|---|---|---|
| **Human Resources** | | | |
| We recommend that the Ministry of Finance establish a current service level agreement with the Public Service Commission over the provision of human resource services. (2011 Report – Volume 2 – Chapter 9) | **Implemented** | Not yet considered | During the year Finance established a client service agreement with the Public Service Commission effective April 1, 2011 establishing the roles and responsibilities over the provision of human resource services. |

| Past Recommendation (Initial Report) | Status of Recommendation | Status of PAC Consideration at September 30, 2012 | Finance Actions in 2011-12 |
|---|---|---|---|
| **Revenues** | | | |
| We recommended that the Ministry of Finance establish a process to better estimate resource surcharge revenue earned during each quarter and record this estimate each quarter. (2011 Report – Volume 2 – Chapter 9) | **Not Implemented** – We continue to make this recommendation. | Not yet considered | During the year Finance collected and analyzed prior year data to determine if a more accurate reporting model for resource surcharge revenue can be developed. Finance continues to work toward a model to produce an accurate estimate and record an accrual for the reconciliation payments. |
| **Information technology** | | | |
| We recommend that the Ministry of Finance confirm, in writing, processes and policies that the Information Technology Office (ITO) uses to address its specific information technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Ministry of Finance as necessary. (2006 Report – Volume 3 – Chapter 15) | **Partially Implemented** – We continue to make this recommendation. | Agreement March 13, 2007 | During 2011-12, Finance and the ITO signed a new memorandum of understanding (MOU) regarding IT services being provided by the ITO. The MOU included some information on information technology security requirements. The MOU also included Finance's specific disaster recovery requirements. In 2011-12, the ITO performed a disaster recovery test on one of Finance's systems but was unable to conclude that it would be able to fully recover the system and data in the event of a disaster. Finance has not yet determined how it plans to respond to this risk. During 2011-12, Finance and another of its IT service providers did conduct successful disaster recovery tests on Finance's main revenue system. |
| We recommend that the Ministry of Finance require the Information Technology Office (ITO) to give it, each year, information on the adequacy of ITO's controls for keeping Finance's computer systems and data secure and available. (2010 Report – Volume 2 – Chapter 8) | **Partially Implemented** – We continue to make this recommendation | Agreement May 18, 2011 | As part of its MOU with ITO, Finance requested certain reports from the ITO which provide limited information on the security and availability of Finance's systems and data. However, Finance did not receive all of these reports consistently throughout the year. Also, these reports do not provide sufficient information on the adequacy of the ITO's controls for keeping Finance's systems and data secure and available. Control weaknesses exist at the ITO and without Finance receiving complete information, Finance cannot determine the impact of security weaknesses on its systems and data and take corrective action where necessary. |
| We recommend that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data promptly. (2010 Report – Volume 2 – Chapter 8) | **Partially Implemented** – We continue to make this recommendation | Agreement May 18, 2011 | Finance receives and reviews bi-weekly reports that identify inactive system users. Finance uses this report to help identify and remove employees who no longer require system access. However, during 2011-12, there were still instances where Finance did not request |

| Past Recommendation (Initial Report) | Status of Recommendation | Status of PAC Consideration at September 30, 2012 | Finance Actions in 2011-12 |
|---|---|---|---|
| | | | timely removal of unneeded user access to its IT systems.<br>In 2012-13 Finance plans to request staff to submit user access removal requests at least one week prior to termination date. |
| **Treasury management** | | | |
| We recommend that the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance. (2009 Report – Volume 1 – Chapter 5) | **Partially Implemented** – We continue to make this recommendation as it relates to sinking fund investments | Agreement June 25, 2010 | For its sinking funds investments, Finance has not yet set market-based benchmarks to enable it to assess whether its investments earned an effective return. Finance continues to research a relevant basis and approach for assessing the performance of these investments. |
| We recommend the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds. (2009 Report – Volume 1 – Chapter 5) | **Not Implemented** – We continue to make this recommendation | | As noted above, Finance continued to research relevant basis for measuring and in turn reporting the performance of the sinking funds publicly. |
| We recommend the Ministry of Finance documents its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover. (2009 Report – Volume 1 – Chapter 5) | **Partially implemented** – We continue to make this recommendation | | Finance is planning to implement a new debt system in 2012-13 and plans to complete documentation of procedures as part of its implementation of the new system. |

## 4.0 PUBLIC EMPLOYEES BENEFITS AGENCY AND THE PENSION AND BENEFIT PLANS IT ADMINISTERS

The Public Employees Benefits Agency (PEBA) is part of the Ministry of Finance. PEBA administers government pension and benefits plans. For plans with years ended March 31, 2012, this includes the Judges of the Provincial Court Superannuation Plan, the Public Employees Pension Plan, the Public Service Superannuation Plan, the Saskatchewan Pension Annuity Fund, and the Saskatchewan Watershed Authority Retirement Allowance Plan.

PEBA recovers its cost to administer the pension and benefit plans by charging the plans based on the costs incurred for each plan. For the year ended March 31, 2012, PEBA incurred $15.1 million (2011 - $14.0 million) in administration costs and recovered those costs from the plans. At March 31, 2012, PEBA held financial assets of $2.7 million (2011 - $2.0 million), non-financial assets of $3.8 million (2011 - $4.7 million) and had liabilities of $6.6 million (2011 - $6.7 million). PEBA's 2011-12 Annual Report includes the PEBA Revolving Fund's audited financial statements.

## 4.1 Implementation of Past Recommendations

The following table sets out our past recommendations indicating the status of each recommendation at March 31, 2012. It indicates whether PAC has considered the recommendation and if so, the results of its consideration, and the actions PEBA took during 2011-12.

| Past Recommendation (Initial Report) | Status of Recommendation | Status of PAC consideration at September 30, 2012 | Actions agency took in 2011-12 |
|---|---|---|---|
| We recommended that the Public Employees Benefits Agency complete a business continuity plan for the pension and benefit plans it administers. (2008 Report – Volume 3) | **Implemented** | Agreement December 10, 2008 | In 2011-12, PEBA tested its business continuity/disaster recovery plan. |
| We recommended that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and who return to work for the Government are paid in accordance with *The Superannuation (Supplementary Provisions) Act (Act)*. Alternatively, the Board should seek changes to the act. (2001 Spring Report) | **Implemented** | Agreement November 27, 2001 | In 2011-12, PSSB implemented procedures to ensure that all retired members who are receiving a pension and who return to work for the Government are paid in accordance with *The Superannuation (Supplementary Provisions) Act*. |

# 5.0 EXHIBITS

## 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Finance (IT Governance)** | | |
| 2011 | 7-3 that the Ministry of Finance develop an information technology risk management plan based on an analysis of information technology risks. | **Partially Implemented** (as of August 31, 2011) |
| 2011 | 7-4 that the Ministry of Finance implement a strategic information technology plan that aligns with its strategic business objectives. | **Partially Implemented** (as of August 31, 2011) |
| **Ministry of Finance (PST Audit Selection)** | | |
| 2009 | 9-4 that the Ministry of Finance set the desired outcomes of the PST audit selection process in measurable terms. | **Partially Implemented** (as of September 16, 2011) |

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| 2009 | 9-8 that the Ministry of Finance require its senior management to receive reports on the effectiveness of the PST audit selection process. | **Partially Implemented**<br>(as of September 16, 2011) |
| **Public Employees' Benefits Agency (IT Security)** | | |
| 2011 | 8-6 that the Public Employees Benefits Agency periodically test the effectiveness of its information technology security. | **Partially Implemented**<br>(as of March 31, 2010) |

## 5.2 Legislation

**Exhibit 2—Summary of Relevant Authorities**

Finance:
*The Government Organization Act*
*The Ministry of Finance Regulations, 2007*
*The Corporation Capital Tax Act*
*The Corporation Capital Tax Regulations, 1984*
*The Federal-Provincial Agreements Act*
*The Financial Administration Act, 1993*
*The Fire Prevention Act*
*The Fire Insurance Fees and Reporting Regulations*
*The Fuel Tax Act, 2000*
*The Fuel Tax Regulations, 2000*
*The Growth and Financial Security Act*
*The Income Tax Act, 2000*
*The Insurance Premiums Tax Act*
*The Liquor Consumption Tax Act*
*The Motor Vehicle Insurance Premiums Tax Act*
*The Provincial Sales Tax Act*
*The Provincial Sales Tax Regulations*
*The Revenue and Financial Services Act*
*The Revenue Collection Administration Regulations*
*The Tobacco Tax Act, 1998*
*The Tobacco Tax Regulations, 1998*
Orders in Council issued pursuant to the above legislation

Public Employees Pension Plan:
*The Public Employees Pension Plan Act*
*The Public Employees Pension Plan Regulations*
*The Superannuation (Supplementary Provisions) Act*
*The Pension Benefits Act, 1992*
*The Pension Benefits Regulations, 1993*
*The Pension Benefits Standards Regulations, 1985 (Canada)*
*The Income Tax Act* (Canada) sections 147.1, 147.2, and 147.3
*The Income Tax Regulations* (Canada) sections: 8501-8505, 8512, 8514
*The Tabling of Documents Act, 1991*
Orders in Council issued pursuant to the above legislation

Saskatchewan Pension Annuity Fund:
*The Saskatchewan Pension Annuity Fund Act*
*The Saskatchewan Pension Annuity Fund Regulations*
*The Pension Benefits Act, 1992*
*The Pension Benefits Regulations, 1993*
*The Pension Benefits Standards Regulations* (Canada) *1985*
*The Financial Administration Act, 1993*
*The Trustee Act, 2009*
Orders in Council issued pursuant to the above legislation

Judges of the Provincial Court Superannuation Plan:
*The Financial Administration Act, 1993*
*The Pension Benefits Standards Regulations* (Canada), 1985 (Schedule III)
*The Provincial Court Act, 1998*
*The Provincial Court Compensation Regulations*
*The Provincial Court Pension Plan Regulations*
*The Pension Benefits Act, 1992*
*The Pension Benefits Regulations, 1993*
*The Income Tax Act* (Canada) sections 147.1, 147.2, and 147.3
*The Income Tax Regulations* (Canada): 8501-8504, 8512, 8514, and 8520
*The Superannuation (Supplementary Provisions) Act*, section 36.2
Orders in Council issued pursuant to the above legislation

Public Employees Benefits Agency Revolving Fund:
*The Financial Administration Act, 1993*
*The Tabling of Documents Act, 1991*
Orders in Council issued pursuant to the above legislation

Public Service Superannuation Plan:
*The Public Service Superannuation Act*
*The Superannuation (Supplementary Provisions) Act*
*The Superannuation Acts Uniform Regulations*
*The Pension Benefits Standards Regulations* (Canada), *1985* (Schedule II)
*The Pension Benefits Act, 1992*
*The Pension Benefits Regulations, 1993*, section 38
*The Financial Administration Act, 1993*, section 64
*The Income Tax Act* (Canada) sections 147.1, 147.2, and 147.3
*The Income Tax Act Regulations* (Canada) sections 8501-8504, 8512, 8514, and 8520
*The Tabling of Documents Act, 1991*
Orders in Council issued pursuant to the above legislation

Saskatchewan Watershed Authority Retirement Allowance Plan:
*The Financial Administration Act, 1993*, sections 64 and 65
Orders in Council issued pursuant to the above legislation
Saskatchewan Watershed Authority Retirement Allowance Plan Document

# Chapter 10
# Health

## 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Health (Health) and some of its agencies. We report that Health and its agencies complied with authorities governing their activities relative to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing. Health agencies reported in this chapter had reliable 2012 financial statements. Health and its agencies had effective rules and procedures to safeguard public resources except Health needs to improve its processes in the following areas:

Health did not always comply with tendering processes required by the *Financial Administration Manual* when entering into contracts for services. The lack of documented due diligence and the lack of consideration of alternatives increases the risk that decision makers may not have all relevant information about other innovative and financially competitive proposals.

Health does not seek confirmation from patients receiving medical services from doctors. Verifying doctor services could help ensure that doctors bill Health correctly, and could help Health recover any incorrect billing.

Health uses third party agencies to deliver health services on its behalf. Health has a process to assess the risk that these agencies may not spend money for the intended purposes. Agencies assessed as high risk should be monitored more closely. Health has not made this risk assessment for a number of years.

## 2.0 INTRODUCTION

Health oversees the provincial health care system. Health also regulates the delivery of health care. To ensure the provision of essential and appropriate services, Health establishes provincial strategy and policy direction, sets and monitors standards, and provides funding. It oversees a health care system that includes 12 regional health authorities (RHAs), the Saskatchewan Cancer Agency (SCA), the Athabasca Health Authority,[1] affiliated health care organizations, and a diverse group of professionals. Health works with the RHAs, the SCA, and other stakeholders to recruit and retain health care providers, including nurses and physicians.[2]

Health's annual report includes information about its expenses (annual report is available at www.health.gov.sk.ca).

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[1] The Athabasca Health Authority operates under an agreement between the Province, Canada, and six northern First Nations. The Ministry of Health funds the Authority for acute care expenses.

[2] Ministry of Health, 2011-12 Annual Report.

## 2.1 Government Spending on Health

**Figure 1—Total Health Sector Costs by Program for the years ended March 31**

| | 2012 | 2011 | 2010* | 2009* | 2008* | 2007* | 2006* | 2005* | 2004* | 2003* |
|---|---|---|---|---|---|---|---|---|---|---|
| | (in millions of dollars) | | | | | | | | | |
| **Regional Health Authorities** | | | | | | | | | | |
| Inpatient and Resident Services | $1,353 | $1,252 | NA | NA | NA | NA | NA | NA | NA | NA |
| Physician Compensation | 240 | 214 | NA | NA | NA | NA | NA | NA | NA | NA |
| Ambulatory Care Services | 208 | 186 | NA | NA | NA | NA | NA | NA | NA | NA |
| Diagnostic and Therapeutic Services | 369 | 351 | NA | NA | NA | NA | NA | NA | NA | NA |
| Community Health Services | 472 | 440 | NA | NA | NA | NA | NA | NA | NA | NA |
| Support Services | 736 | 720 | NA | NA | NA | NA | NA | NA | NA | NA |
| Ancillary | 15 | 16 | NA | NA | NA | NA | NA | NA | NA | NA |
| **RHA sub-total costs** | 3,393 | 3,179 | $3,057 | $2,708 | $2,540 | $2,295 | $2,207 | $2,040 | $1,894 | $1,780 |
| Medical services and education | 727 | 726 | 685 | 639 | 590 | 585 | 533 | 496 | 455 | 446 |
| Prescription drugs | 350 | 354 | 338 | 316 | 294 | 246 | 229 | 212 | 194 | 173 |
| Provincial health services | 341 | 316 | 313 | 272 | 234 | 205 | 190 | 175 | 162 | 144 |
| Central Support Services | 58 | 40 | 51 | 49 | 53 | 49 | 50 | 44 | 46 | 23 |
| Other | 10 | 9 | 41* | 37* | 37* | 31* | 30* | 26* | 34* | 44* |
| Pension (surplus)/liability** | 27 | 58 | 88 | 33 | (25) | (7) | 22 | (4) | 10 | - |
| Timing Differences*** | (14) | (5) | (53) | (25) | (72) | (59) | (39) | (45) | (50) | (52) |
| **Total costs******** | $4,892 | $4,677 | $4,520 | $4,029 | $3,651 | $3,345 | $3,222 | $2,944 | $2,745 | $2,558 |

Source: *Public Accounts 2011-12: Volume 2: Details of Revenue and Expenditure* (see www.finance.gov.sk.ca/public-accounts) and March 31, 2012 financial statements of the RHAs and other Crown agencies.

* Regional Health Authorities have reclassified their expenses into new categories. The reclassification information is not readily available for years prior to 2011.

** Source: *Public Accounts 2011-12: Volume 1: Main Financial Statements:* The Government participates in the Saskatchewan Health Employees' Pension Plan (SHEPP), a joint defined-benefit plan for employees of health agencies. The expense/(revenue) reflected is the change in the pension debt from the prior year. Agencies recorded a pension expense of $134 million for 2011-12 in their financial statements; note amount for the 2003 year is not readily available.

*** Timing differences represent the recognition of revenues and expenses at different times by Health entities.

****The total cost equals the amount recorded in the Government's summary financial statements for each year.

**Figure 1** shows health sector costs by program totalling $4.89 billion for the year ended March 31, 2012. The costs in the table do not include health services paid directly by the Government of Canada, nor the costs that individuals and private sector organizations pay directly for health services.

Health received $4.4 billion in revenue from the General Revenue Fund. The health sector raised a further $420 million of other revenues including $249 million in health care fees. The Government received transfers from the Federal Government of $847 million for the Canada Health Transfer program.

## 2.2 Related Special Purpose Funds and Crown Agencies

At March 31, 2012, Health was responsible for the following special purpose funds and Crown agencies (agencies):

**Year-end March 31**
Twelve Regional Health Authorities
Health Quality Council
North Sask. Laundry & Support Services Ltd.
Physician Recruitment Agency of Saskatchewan
3sHealth
Saskatchewan Cancer Agency
eHealth Saskatchewan
Saskatchewan Health Research Foundation
Saskatchewan Impaired Driver Treatment Centre Board of Governors

**Year-end December 31**
Saskatchewan Association of Health Organizations (SAHO), Disability Income Plan – C.U.P.E.
SAHO, Disability Income Plan – S.E.I.U.
SAHO, Disability Income Plan – S.U.N.
SAHO, Disability Income Plan – General
SAHO, Core Dental Plan
SAHO, In-Scope Extended Health/Enhanced Dental Plan
SAHO, Out-of-Scope Extended Health/Enhanced Dental Plan
SAHO, Group Life Insurance Plan
SAHO, Master Trust Combined Investment Fund

We provide our audit findings for the following agencies in separate chapters:

- Regional Health Authorities (see Chapters 18, 19, and 23)
- Health Quality Council (see Chapter 11)
- North Sask. Laundry & Support Services (see Chapter 16)
- eHealth Saskatchewan (see Chapter 6)

# 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended on or before March 31, 2012:**

- **Health and its agencies had effective rules and procedures to safeguard public resources except for the matters noted in this chapter**
- **Health and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter**

*The Department of Health Act*
*The Drug Plan Medical Supplies Regulations*
*The Regional Health Services Act*
*The Regional Health Services Administration Regulations*
*The Saskatchewan Assistance Plan Supplementary Health Benefit Regulations*
*The Saskatchewan Medical Care Insurance Act*
*The Medical Care Insurance Beneficiary and Administration Regulations*
*The Medical Care Insurance Peer Review Regulations*
*The Saskatchewan Medical Care Insurance Payment Regulations, 1994*
*The Prescription Drugs Act*
*The Prescription Drugs Regulations*
*The Health Facilities Licensing Act*
*The Health Facilities Licensing Regulations*
*The Mental Health Services Act*
*The Financial Administration Act, 1993*
*The Government Organization Act, 2004*
*The Crown Corporations Act, 1993*
*The Tabling of Documents Act, 1991*
*An Act to Incorporate Saskatchewan Health-Care Association*
*The Cancer Agency Act*
*The Cancer Agency Regulations*
*The Regional Health Services Regulations*
*The Health Information Protection Act*
*The Public Health Act*
Orders in Council issued pursuant to the above legislation

- **The financial statements of Health's agencies listed are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Health's control. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievements of the organization's objectives.

We examined significant programs of Health including medical services and medical education, drug plan and extended benefits, provincial health services, sector wide human resource planning, capital planning, and supervision of regional health authorities.

## 3.1 Documented Support for Sole-source Contracting Decisions Needed

Health needs to comply with the *Financial Administration Manual* (Manual) when entering into contracts for acquiring services.

The Ministry of Finance created the Manual under the authority of *The Financial Administration Act, 1993*. Section 4510 of the Manual applies to all ministries. This section sets out the requirements for entering into contracts for services.

The Manual allows ministries to use a formal or informal contracting process.

The Manual requires a formal process where a formal tender or an invitation to bid are used when the exact requirements for a contract are known, and price is therefore the primary determinant of the award.

While the Manual allows the ministries to use informal processes under the above conditions, it states, "Ideally, written bids or proposals should still be obtained". The Manual allows the informal contracting process under the following conditions:

- There is insufficient time to conduct a bidding process (i.e., emergency)
- A fair price can be determined and the total cost of the service is immaterial
- Only one contractor is known with the required skills

- The requirement for the resources must be kept confidential

- Professional services are being acquired which do not facilitate tendering or request for proposal (RFP) processes (e.g., some legal and medical contracts)

Notwithstanding what process they use, the Manual requires ministries to advertise the need for services on the SaskTenders website[3] when a need for services is expected to cost more than $75,000. Compliance with the Manual helps ensure that ministries acquire services in the fairest and most equitable manner and in turn, supports a process where the awarding of contracts is open and transparent.

To assess Health's compliance with the Manual, we examined all existing contracts for services over the threshold of $75,000 that Health signed during the past few years. We found that Health did not always advertise its need for services on SaskTenders. Also, we found that about 30% of the contracts that we examined did not follow the formal process nor did it document why the formal process was not used. Accordingly, Health did not comply with the *Financial Administration Manual*.

1. **We recommend that the Ministry of Health comply with the *Financial Administration Manual* when entering into contracts for services exceeding the limits prescribed in the *Financial Administration Manual*.**

During the year, Health entered into a significant, multi-year contract for helicopter air ambulance services with the Shock Trauma Air Rescue Society (STARS). During the year, Health paid about $5 million to STARS for helicopter air ambulance services. Health could, under the contract, pay more in subsequent years when STARS is fully operational. The contract Health signed with STARS includes all necessary elements of good supervision and accountability.

Management could not provide any evidence of a request for proposal or request for written bids for providing the air ambulance services. Nor could management provide us with evidence of Health's due diligence and consideration of alternative proposals before signing the contract.

Lack of documented due diligence and consideration of alternatives increases the risk that the decision makers may not have all relevant information about other innovative and financially competitive proposals.

2. **We recommend that the Ministry of Health document its due diligence and consideration of alternatives when awarding contracts.**

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[3] Administered by the Ministry of Central Services.

## 3.2 Verify Medical Services to Patients

We recommended that the Ministry of Health implement a process to verify that patients received the medical services that doctors billed the Ministry for payment. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

Health pays about $457 million annually to doctors for medical services on a "fee for service" basis. Verifying doctor services could help ensure that doctors bill Health correctly, and could help Health in its efforts to recover any incorrect billing.

Prior to 2011, Health compared each doctor's billing to doctors' historical trends and sought confirmation from patients receiving services. For the last two years, Health did not seek confirmation from patients receiving medical services. Comparing doctors' billing to past billing trends alone is not sufficient without seeking periodic confirmation from those who received the services.

In 2011, management indicated that Health was revising its process for verifying medical services that doctors provide to patients and that the new process was expected to be implemented by the end of 2011. Health has not yet done so.

## 3.3 Update Risk Assessments for Agencies Delivering Health Related Services

We recommended that the Ministry of Health update its risk assessments for agencies delivering healthcare services to help monitor their performance. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

Health makes annual service agreements with health agencies to deliver health-related services. During the year ended March 31, 2012, Health paid $60.1 million to these agencies. To help Health supervise those agencies, the service agreements require agencies to provide Health with certain performance information by specified dates.

Health has established a process to assess the risk that these agencies may not spend money for the intended purposes. For agencies assessed as high-risk, Health follows up to obtain timely information to monitor performance and to determine if those agencies are using money for the intended purposes.

Although Health's processes require annual risk assessments for agencies providing health-related services on its behalf, Health has not updated its risk assessments for all agencies for a number of years. Without up-to-date risk assessments, Health may not identify agencies that it must follow up for monitoring performance.

Recently, Health investigated allegations of misspending at AHA.[4] Health gives AHA about $6 million each year to provide health related services to residents in Northern Saskatchewan. Had Health followed its process and assessed the risk that AHA might not spend the money for intended purposes, it may have taken corrective action earlier.

## 3.4 Capital Asset Plan Not in Place

We recommended that the Ministry of Health develop a capital asset plan to help ensure that it can carry out its strategic plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 30, 2004)

**Status** – We continue to make this recommendation.

The health care system uses over $1.2 billion of capital assets (buildings and equipment) to deliver health care.

Health still does not have a capital asset plan. Lack of a capital asset plan increases the risk that the health care system may not have the capital assets it needs to deliver the services citizens require or that it may have idle capital assets that it could use at some other location. A long-term capital asset plan for Health would also help regional health authorities prepare their own capital asset plans.

Health was given certain priorities in the Minister's mandate letter dated November 21, 2007. These priorities included the development of a 10-year capital plan for health care. Health has not yet prepared the plan.

## 3.5 Business Continuity Planning Needed

We recommended that the Ministry of Health prepare a complete business continuity plan. (2005 Report – Volume 3; Public Accounts Committee agreement March 9, 2006)

**Status** – We continue to make this recommendation.

Health has drafted a business continuity plan[5] but has not yet approved the draft plan. Health needs to prepare a complete plan and test that plan to ensure its effectiveness.

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[4] The Athabasca Health Authority operates under an agreement between the Province, Canada, and six northern First Nations. The Ministry of Health funds the Authority for acute care expenses.

[5] Business Continuity Plan (BCP–Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

## 3.6 Human Resource Planning in Place

We recommended that the Ministry of Health revise its human resource plan to quantify its human resource needs and provide measurable indicators and targets for all strategies. (2006 Report – Volume 3; Public Accounts Committee agreement June 25, 2007)

**Status** – Implemented.

In 2011-12, Health updated its human resource plan. The plan includes information on Health's human resource needs and measurable indicators and targets for its human resource strategies.

## 3.7 Health Sector Human Resource Planning in Place

We recommended that the Ministry of Health should present information on significant shortfalls or surpluses in human resources in its health sector human resource plan. (2006 Report – Volume 1; Public Accounts Committee agreement October 4, 2006)

**Status** – Implemented.

Health released Saskatchewan's Health Human Resources Plan (Health Sector HR Plan) on December 21, 2011. The plan describes the current state of the health care workforce including the size and demographic breakdown of the various health care occupations. The plan also includes the estimated number of employees that will need to be trained and recruited over the next 10 years for those occupations to meet health care needs.

We recommended that the Ministry of Health should present information on succession planning and development strategies for its current workforce in its health sector human resources plan. (2006 Report – Volume 1; Public Accounts Committee agreement October 4, 2006)

**Status** – Implemented.

The Health Sector HR Plan describes potential actions that Health and health care providers could use to implement the plan. These actions include providing training and professional development for the current workforce and implementing succession planning by agencies within the health sector.

# Chapter 11
# Health Quality Council

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Health Quality Council (HQC) for the year ended March 31, 2012.

HQC had effective rules and procedures to safeguard public resources except that it paid $91,049 for goods and services (LEAN-related initiatives) that it did not request and receive. HQC's 2012 financial statements are reliable and it complied with its governing authorities.

## 2.0 INTRODUCTION

Under *The Health Quality Council Act*, the Health Quality Council (HQC) is responsible for:

- Measuring and reporting on the quality of care in Saskatchewan
- Promoting continuous quality improvement and engaging partners toward building a better health system

In 2012, HQC had revenues totalling $12.8 million (including approximately $12.5 million from the General Revenue Fund), expenses of $8.7 million (including project funding of $3.1 million). At March 31, 2012, it held assets totalling $8.4 million. HQC's financial statements are included in its annual report.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **HQC had effective rules and procedures to safeguard public resources except for the matter reported in this chapter**
- **HQC complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Health Quality Council Act*
  *The Tabling of Documents Act, 1991*
  Orders in Council issued pursuant to the above Acts

- **HQC had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Health Quality

Council's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of Health Quality Council's financial-related controls used to administer the revenues, expenses and assets identified in Section 2.0. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

## 3.1 Payment Not Properly Approved

*The Provincial Auditor Act* requires us to bring to the attention of the Legislative Assembly any cases where an expenditure was not properly approved. HQC paid invoices totalling $91,049 that were not properly approved. It recorded that amount in its financial statements as project expenses. HQC did not request or receive the related services.

During 2011-2012, the Ministry of Health (Ministry) asked HQC to pay several invoices totalling $91,049. These invoices related to contracts for LEAN-related initiatives that were signed by the Ministry.[1] HQC is not a party to those contracts.

1. **We recommend that the Health Quality Council only pay for goods and services that it requests and receives.**

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[1] The Ministry of Health defines LEAN as a "patient-focused" approach to identifying and eliminating all non-value adding activities and reducing waste within an organization.

# Chapter 12
# Highways and Infrastructure

## 1.0 MAIN POINTS

During 2011-12, the Ministry of Highways and Infrastructure (Highways) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2011-12 financial statements of the Fund are reliable.

Highways had effective rules and procedures to safeguard public resources except that it needs to follow its procedures to promptly remove access of former employees to its computer network. Following these procedures would help Highways ensure that only authorized individuals have access to its computer systems and data.

While Highways has addressed one of our past recommendations and improved its service level agreement with the service provider for the Highway Hotline, it continues to need a better agreement with the Information Technology Office (ITO). Without a better agreement, Highways does not know if its data is secure or whether ITO could restore its key systems and data in the event of a disaster.

Highways needs to follow its procedures for processing time cards of terminated employees. It is difficult to recover overpayments from individuals who have left the employment of the ministry. By not following these procedures, Highways is at a greater risk of making unrecoverable overpayments.

This chapter also contains a summary of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

Highways is responsible for managing the provincial transportation system which includes more than 26,000 km of highways, about 785 bridges, 17 airports in northern Saskatchewan and 12 ferries.[1] As of March 31, 2012, this infrastructure had a net book value of about $2.2 billion. In addition, at March 31, 2012, Highways held lands, buildings, and various equipment with a net book value of about $186 million. **Figure 1** compares estimates to actual spending by program.

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[1] Government of Saskatchewan, 2011-12 Annual Report, Ministry of Highways and Infrastructure.

**Figure 1—Comparison of Estimates to Actual Spending by Major Program**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management and Services | $ 21.4 | $ 21.1 |
| Strategic Municipal Infrastructure | 16.3 | 27.4 |
| Operation of Transportation System | 84.1 | 90.6 |
| Preservation of Transportation System | 139.5 | 184.4 |
| Transportation Policy and Programs | 3.8 | 3.7 |
| Custom Work Activity | --[2] | 14.1 |
| Machinery and Equipment | 5.8 | 5.8 |
| Capital Asset Acquisitions | (10.0) | (10.4) |
| Capital Asset Amortization | 119.4 | 120.9 |
| **Total Expense** | 380.3 | 457.6 |
| Capital Asset Acquisitions | 295.3[3] | 306.3 |
| **Total Appropriation** | $ 675.6[4] | $ 763.9 |

Source: *Saskatchewan Provincial Budget 11-12 Estimates* (votes 16 and 17). *2011-12 Annual Report* Ministry of Highways

As of March 31, 2012, Highways had 1,182 employees.[5]

In 2011-12, Highways had revenue of $85.6 million including transfers from the Federal Government of $80.5 million. Highways' annual report sets out and explains significant differences between actual and estimated revenues and expenses.

Highways is also responsible for the Transportation Partnership Fund (Fund). The Fund's financial statements are tabled separately in the Legislative Assembly.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **Highways had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **Highways and its Fund complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Highways and Transportation Act, 1997*
  *The Financial Administration Act, 1993*
  *The Railway Line (Short Line) Financial Assistance Regulations*
  *The Purchasing Act, 2004 and Regulations*
  Orders in Council pursuant to the above legislation

- **The financial statements of the Fund are reliable.**

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[2] Custom work activity is budgeted on cost-recovery basis. That is, revenues are to fully cover costs incurred. In 2011-12, Highways had custom work revenue of $14.3 million and expenses of $14.1 million for a net-recovery of $0.3 million.

[3] The Ministry had $60.0 million of unutilized 2010-11 appropriation carried over to 2011-12.

[4] During 2011-12, Highways received a budget increase, through special warrants, totaling $72.1 million related mostly to preservation of transportation system.

[5] Government of Saskatchewan, *2011-12 Annual Report*, Public Service Commission. p. 28.

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Highways' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of Highways' financial-related controls used to administer the spending listed in **Figure 1**, its revenues, and its infrastructure and other assets. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports and safeguard the transportation system.

Because of Highways' extensive use of third parties in the maintenance and construction of its highways and bridges, we paid particular attention to Highways' controls over managing contracts with third parties. This included assessing its processes for awarding, approving, and adjusting contracts, retaining appropriate security and holdbacks, approving estimates, obtaining appropriate clearance from the Workers' Compensation Board and tax authorities before final payments, and tracking its related contractual obligations.

Also, because Highways relies on its computer systems to manage its contracts and the transportation system, we assessed key service level agreements, change management processes, and user access controls related to these key systems.

## 3.1 Revise Service Level Agreement with ITO

We recommended that that the Ministry of Highways and Infrastructure sign an adequate agreement with the Information Technology Office that addresses the Ministry's disaster recovery and security needs over its computer systems. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

**Status** – We continue to make this recommendation.

During 2011-12, Highways made no progress on implementing this recommendation. Highways' agreement with ITO, signed in October 2008, does not adequately address disaster recovery and Highways' ability to obtain assurance as to the security of its information systems. Although Highways officials meet with ITO officials to discuss services provided and issues, Highways does not receive sufficient information about the quality of ITO's security controls or ITO's plans to handle disasters that could affect Highways' computer systems or data. As a result, Highways does not know whether ITO can restore Highways' systems and data when needed in the event of a disaster and whether ITO has kept Highways' data secure.

## 3.2 Promptly Remove User Access

We recommended that the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

**Status** – We continue to make this recommendation.

During 2011-12, Highways made no progress on implementing this recommendation. Although Highways has established procedures to remove user access to its computer systems and data, it did not follow them. Consistent with our prior audit, we found former employees whose access to Highways' computer systems was not removed in a timely manner (i.e., 16 of the 17 items we examined).

As a result, Highways cannot ensure that only authorized individuals have access to its computer systems and data. Highways' data and systems are vulnerable to access by unauthorized users, including inappropriate access to confidential information.

## 3.3 Adherence to Procedures for Processing Final Timecards Needed

Highways did not always follow established procedures for processing the final timecards of employees who have left the employment of the ministry.

Highways' payroll is processed using MIDAS HR.[6] Highways enters information from employee timecards into MIDAS HR for processing. In 2011-12, its payroll costs totalled $76.8 million. The Public Service Commission (PSC) and Highways recognize it is difficult to recover overpayments made to individuals who have left employment. To reduce the risk of overpaying employees who leave employment, PSC expects ministries to submit final timecards to it for processing instead of the ministries processing the final timecards.

During 2011-12, approximately 400 employees left the employment of Highways (most of these individuals were seasonal workers). During 2011-12, 18 employees who left the employment of Highways received salary overpayments totalling approximately $40,000. The majority of these overpayments related to their final pay cheque including benefits (e.g., vacation leave entitlements) that they had not earned. For 12 of these 18 employees, Highways processed the final timecard instead of submitting the timecard to PSC for processing as expected.

As of July 31, 2012, Highways and PSC had recovered approximately $8,500 of these overpayments.

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[6] MIDAS HR is the information system used to manage employee information and process payroll transactions.

1. **We recommend that the Ministry of Highways and Infrastructure follow the established procedures for processing final timecards of employees who leave the employment of the Ministry.**

## 3.4 Revisions to Service Level Agreement for Highway Hotline Addressed

We recommended that the Ministry of Highways and Infrastructure sign an adequate agreement with the Highway Hotline service provider that addresses the Ministry's disaster recovery and security needs. (2010 Report – Volume 2; Public Accounts Committee agreement June 6, 2011)

**Status** – Implemented.

During 2011-12, Highways worked with the service provider to gain additional information about the service provider's infrastructure and processes. Highways signed new agreements with the Highway Hotline service provider. The new agreements contain sufficient information regarding disaster recovery and security.

# 4.0 EXHIBITS

## 4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow-up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Highways and Infrastructure (Cross-Government Infrastructure)** (2002 Fall Report – Volume 2) | | |
| 2005 | 2-2 that the Department of Highways and Transportation should give the public additional information on its key plans related to highway condition, safety, and reliability, as well as comparisons of plans to actual results with any differences explained. | **Partially implemented**<br>(as of March 31, 2012)<br>Highways uses the government's Accountability Framework to guide its public reports. As of March 31, 2012, Highways does not provide comparisons and explanations of differences between plans and actual results for all planned targets. |

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Highways and Infrastructure (Highways Maintenance)** (2010 Report – Volume 1) | | |
| 2011 | 7-1 that the Ministry of Highways and Infrastructure set long-term service-level objectives (such as long-term surface-condition factors). | **Partially implemented**<br>(as of March 31, 2012) |
| 2011 | 7-2 that the Ministry of Highways and Infrastructure use service-level objectives to determine its annual and longer-term maintenance priorities. | **Not implemented**<br>(as of March 31, 2012) |
| 2011 | 7-3 that the Ministry of Highways and Infrastructure assess the reasonableness of maintenance costs used to develop its maintenance plan. | **Implemented**<br>(as of March 31, 2012) |
| 2011 | 7-4 that the Ministry of Highways and Infrastructure receive a report on the results of the maintenance activities at the end of the maintenance season, as required. | **Partially Implemented**<br>(as of March 31, 2012) |

# Chapter 13
# Information Technology Office

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Information Technology Office (ITO) for the year ended March 31, 2012.

ITO complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

ITO had effective rules and procedures to safeguard public resources except that it needs to:

- Follow its established procedures to ensure ITO user access is removed in a timely manner
- Sign adequate agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements
- Prepare accurate and complete year-end financial reports as required by the *Financial Administration Manual*

Effective May 25, 2012, ITO became part of the Ministry of Central Services. The Ministry of Central Services brings together a number of central service functions of government, including government services, the Information Technology Office, and the Public Service Commission.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## 2.0 INTRODUCTION

The Information Technology Office (ITO) is the information technology (IT) services supplier for government ministries and agencies. It supplies a full range of IT services to its government customers, including help desk, hardware and software, application development and IT security services. ITO's mandate is to provide responsive and value-added services to partner ministries and agencies.[1] ITO is also responsible for setting government-wide policies and standards in IT infrastructure, IT support services, security and telecommunications.

Over 12,000 Government of Saskatchewan employees in 31 ministries and agencies receive services from ITO.[2] As of March 31, 2012, ITO had 263.4 full-time equivalent positions under the direction of six main branches including Application Management Services, Chief Technology Office, Corporate Services, Customer Services, Operations, and Supply Chain Management.[3]

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[1] *Information Technology Office 11-12 Annual Report*, p. 6. www.ito.gov.sk.ca/.
[2] Ibid., p. 6.
[3] Ibid., p. 7.

## 2.1 Financial Overview

ITO operates on a cost-recovery basis and charges its clients (other ministries and public agencies) for the costs of the goods and services that ITO provides.

**Figure 1 – Major Programs and Spending**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management Services | $ 2.1 | $ 2.1 |
| IT Coordination and Transformation Initiatives | 5.0 | 10.0[4] |
| Interministerial Services | 44.9 | 89.2[5] |
| Major Capital Asset Acquisitions | 3.7 | 3.3 |
| Application Administration and Support | 8.9 | 8.9 |
| **Total Expenditures** | 64.6 | 113.5 |
| Cost-recovery from Ministries | 43.0 | 87.1 |
| Cost-recovery from External Clients | 1.9 | 2.1 |
| Total Recoveries | 44.9 | 89.2 |
| **Total Appropriation** | $ 19.7 | $ 24.3 |

Sources: *Government of Saskatchewan-2011-12 Estimates, Vote 74 Information Technology Office; Information Technology Office 11-12 Annual Report; Government of Saskatchewan – 2011-12 Public Accounts*

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **The Information Technology Office had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **The Information Technology Office complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, borrowing, and investing:**

*The Economic and Co-operative Development Act* (sections 8(c), 9(1)(h), and 9(3))
*The Government Organization Act*
*The Information Technology Office Regulations*
*The Information Technology Office Service Regulations*
*The Public Service Act, 1998*
*The Public Service Regulations, 1999*
*The Public Works and Services Act* (sections 4(2)(j) and (n))
*The Financial Administration Act, 1993*
Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of ITO's controls.

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[4] During 2011-12, ITO received a budget increase, through special warrants, totalling $5.065 million.

[5] Interministerial Services are based on cost-recovery, therefore, the amount of cost-recovery will equal Interministerial Services expenditures.

The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing ITO's rules and procedures to safeguard public resources includes evaluating ITO's process for purchasing goods or services, tracking significant contracts, and charging its customers for the goods and services that it provides.

Recommendations previously directed at ITO are now directed at the Ministry of Central Services.

## 3.1 Timely Removal of User Access Needed

We recommended that the Information Technology Office follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

**Status** – We continue to make this recommendation.

ITO has established adequate procedures for removing user access to its computer systems and data. However, ITO did not follow its established procedures. During the audit, we found 2 out of 10 individuals tested did not have their access removed on a timely basis. If former employees do not have access removed on a timely basis, it increases the risk of inappropriate access to ITO's systems and data.

## 3.2 Improve Service Agreements with Clients

### 3.2.1. Signed Service Agreements in Place

We recommended that the Information Technology Office sign service level agreements with its clients prior to delivering information technology services. (2005 Report – Volume 3; Public Accounts Committee agreement May 16, 2006)

**Status** – Implemented.

By March 31, 2012, ITO had signed service agreements with all its clients. However, as discussed in the next section, these service agreements are not always adequate.

### 3.2.2. Adequate Service Agreements Needed

We recommended that the Information Technology Office sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements. (2005 Report – Volume 3; Public Accounts Committee agreement May 16, 2006)

**Status** – We continue to make this recommendation.

ITO should sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements. Without an adequate signed agreement, there is a risk that there may not be clear understanding on all matters and that client needs may not be met. ITO now has signed agreements with all of its clients. However, some agreements still do not adequately address disaster recovery and reporting requirements.

## 3.3 Prepare Accurate and Complete Financial Reports

We recommended that the Information Technology Office prepare accurate and complete year-end financial reports as required by the *Financial Administration Manual*. (2010 Report – Volume 2; Public Accounts Committee agreement June 6, 2011)

**Status** – We continue to make this recommendation.

The *Financial Administration Manual* requires ITO to give the Ministry of Finance a year-end financial report that shows the revenues, expenses, assets, and liabilities of ITO. The Ministry of Finance uses this report to prepare the financial statements of the General Revenue Fund. The Ministry of Finance cannot prepare accurate financial statements unless ITO and other agencies provide accurate financial information.

ITO's financial reports for the year ended March 31, 2012 contained several significant errors. For example, its contractual obligations schedule had several incorrect amounts that resulted in an overall understatement of contractual obligations at March 31, 2012 of $1.6 million. We also found that ITO misstated the March 31, 2011 contractual obligations by $44.3 million.

## 3.4 Human Resource Plan in Place

We recommended that the Information Technology Office's human resource plan:
- Quantify its future human resource needs
- Provide details on the human resource gap between actual and required resources
- Provide measurable indicators and targets for its key strategies
- Provide details on plans to implement the major strategies

(2008 Report – Volume 3; Public Accounts Committee agreement December 10, 2008)

**Status** – Implemented.

During the year, ITO worked with the Public Service Commission and developed a human resource plan. This plan quantifies human resource needs, provides details on the gap between actual and required resources, provides measurable indicators and targets for its key strategies, and provides details on plans to implement the major strategies in its plan.

# 4.0 EXHIBITS

## 4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Information Technology Office – Benefit Realization** (2009 Report – Volume 1) | | |
| 2011 | 7-2 that the Information Technology Office work with ministries to prepare joint action plans to address issues identified in satisfaction surveys, as required by its service level agreements. | **Partially Implemented** (as of March 31, 2011) |
| 2011 | 7-5 that the Information Technology Office seek mutual agreement with ministries on relevant service delivery measures and targets. | **Partially Implemented** (as of March 31, 2011) |

# Chapter 14
# Labour Relations and Workplace Safety

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Labour Relations and Workplace Safety (Ministry) for the year ended March 31, 2012.

The Ministry complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Ministry has improved some of its processes to effectively safeguard public resources. However, more work remains. The Ministry needs to:

- Follow established procedures for removing user access to its computer systems and data in a timely manner
- Sign a shared service agreement with the Ministry of Advanced Education addressing various services provided to the Ministry
- Define requirements of the Information Technology Office (ITO) in regards to disaster recovery of computer systems and data, as well as the information required by the Ministry to assess the effectiveness of ITO's security controls protecting the Ministry's computer systems and data

## 2.0 INTRODUCTION

The Ministry is responsible for enforcing and promoting awareness of labour standards and occupational health and safety. The Ministry also provides mediation and conciliation services to help resolve workplace disputes as well as advocacy services on behalf of injured workers.[1]

As of March 31, 2012 the Ministry had 147.3 full-time equivalent positions within five divisions including Central Services, Labour Relations and Mediation, Labour Standards, Office of the Workers' Advocate, and Occupational Health and Safety.[2]

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[1] *Ministry of Labour Relations and Workplace Safety, 11-12 Annual Report*, p. 4. www.lrws.gov.sk.ca/.
[2] Ibid., p. 4.

## 2.1 Financial Overview

**Figure 1—Major Programs and Spending**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management and Services | $ 4.6 | $ 4.1 |
| Occupational Health and Safety | 7.4 | 7.6 |
| Labour Standards | 2.5 | 2.6 |
| Labour Relations Board | 1.0 | 0.9 |
| Labour Relations and Mediation | 0.8 | 0.9 |
| Workers' Advocate | 0.7 | 0.7 |
| **Total Appropriation** | 17.0 | 16.8 |
| Capital Asset Acquisitions | - | - |
| Amortization of Capital Assets | - | 0.1 |
| **Total Expenses** | $ 17.0 | $ 16.9 |

Source: *Ministry of Labour Relations and Workplace Safety, 11-12 Annual Report*.

In 2011-12, the Ministry had revenues of $11.0 million, with $10.7 million coming from the Workers Compensation Board under *The Occupational Health and Safety Act, 1993* (Section 82(2)), for the costs of industrial safety programs.

# 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **The Ministry had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **The Ministry complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, borrowing, and investing:**

*The Financial Administration Act, 1993*
*The Government Organization Act*
*The Human Resources, Labour and Employment Act*
*The Labour Standards Act*
*The Labour Standards Regulations, 1995* (Section 29 & 30)
*The Occupational Health and Safety Act, 1993*
*The Public Service Act, 1998*
*The Public Service Regulations, 1999*
*The Purchasing Act, 2004*
*The Trade Union Act*
*Regulations and forms, Labour Relations Board* (Section 30)
*The Conciliation Board Regulations* (Section 17)
*The Wages Recovery Act*
*The Crown Employment Contracts Act*
*The Tabling of Documents Act, 1991*
Orders in Council issued pursuant to the above Acts

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Ministry's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing the Ministry's rules and procedures to safeguard public resources includes assessing the design and effectiveness of the Ministry's control activities relating to revenue, payroll, payments, and financial reporting. This included reviewing and assessing the adequacy of new agreements between the Ministry and the Public Service Commission and the Information Technology Office, both of which were signed during 2011-12.

## 3.1 Remove User Access

The Ministry has procedures for removing user access to its computer systems and data from individuals who no longer work for the Ministry. However, the Ministry did not follow its established procedures. During the audit, we noted four instances where the Ministry had not removed unneeded access to its network in a timely manner. Without timely removal of user access, the Ministry cannot ensure that only authorized individuals have access to its computer systems and data. As a result, the Ministry may be exposed to the risk of inappropriate access to confidential information.

1. **We recommend that the Ministry of Labour Relations and Workplace Safety follow its established procedures for removing user access to its computer systems and data in a timely manner.**

## 3.2 Shared Service Agreement Needed

We recommended that the Ministry of Labour Relations and Workplace Safety sign a shared service agreement with the Ministry of Advanced Education, Employment and Immigration. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

**Status** – We continue to make this recommendation.

The Ministry of Advanced Education provides various services to the Ministry, such as revenue processing, payment processing, information technology support, and other support services. As such, a shared service agreement should be in place so that both ministries understand their respective roles and responsibilities. The *Financial Administration Manual* section 3007.08 requires shared service arrangements between ministries be supported by a memorandum of understanding. At March 31, 2012, the Ministry did not have a memorandum of understanding in place.

## 3.3 Service Level Agreement in Place

We recommended that the Ministry of Labour Relations and Workplace Safety establish an agreement with the Public Service Commission for providing payroll services that clearly assigns responsibilities for key payroll activities. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

**Status** – Implemented.

The Ministry signed a client service agreement with the Public Service Commission in January 2012.

## 3.4 Human Resource Plan Developed

We recommended that the Ministry of Labour Relations and Workplace Safety (formerly part of the Department of Advanced Education and Employment) develop a human resource plan. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – Implemented.

The Ministry completed its human resource plan in December 2011.

## 3.5 Require Disaster Recovery Agreement

We recommended that the Ministry of Labour Relations and Workplace Safety (formerly part of the Ministry of Advanced Education, Employment and Labour) sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

The Ministry signed a memorandum of understanding with the Information Technology Office (ITO) on October 27, 2011. While the memorandum of understanding incorporates disaster recovery and business continuity planning for key Ministry systems, it does not specify disaster recovery time objectives for these systems. Without established recovery time objectives, the availability of the Ministry's systems and data is not defined.

## 3.6 Monitor ITO Security Controls

We recommended that the Ministry of Labour Relations and Workplace Safety (formerly part of the Ministry of Advanced Education, Employment and Labour) monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

The Ministry is not receiving information from the ITO in regards to the effectiveness of the ITO's security controls.

# Chapter 15
# Municipal Affairs

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Municipal Affairs (Municipal Affairs) for the year ended March 31, 2012.

Effective May 25, 2012, Municipal Affairs became part of the Ministry of Government Relations.

Municipal Affairs complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Municipal Affairs had effective rules and procedures to safeguard public resources except that Municipal Affairs did not make certain that user access to its information systems for its former employees was removed promptly. Promptly removing unneeded user access reduces the risk of unauthorized access to Municipal Affairs' information systems and data.

## 2.0 INTRODUCTION

Municipal Affairs' mandate is to work with municipalities, their representative organizations, and other provincial ministries to help ensure effective local government and sustainable municipal infrastructure and services. Municipal Affairs also provides the legislative framework as well as some technical and policy support for cities and urban, rural, and northern municipalities.[1]

Municipal Affairs consists of five program branches: Community Planning, Grants Administration and Financial Management, Northern Municipal Services, Policy Development, and Strategy and Sector Relations. In 2011-12, Municipal Affairs had 127 full-time equivalent staff throughout the province with offices in Regina, Saskatoon, La Ronge and Buffalo Narrows. Programs and services are provided to 786 municipalities comprised of 15 cities, 451 urban municipalities, 296 rural municipalities and 24 northern municipalities.[1]

### 2.1 Financial Overview

For the year ended March 31, 2012, Municipal Affairs had revenues of $90.4 million (including $88.7 million from the Federal Government) and expenses of $374.9 million. The following is a list of Municipal Affairs' major programs and spending. **Figure 1** compares actual spending to budget by program and **Figure 2** compares actual spending to budget by object. For further details and variance explanations, see Municipal Affairs' *2011-12 Annual Report* available on its website www.municipal.gov.sk.ca.

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[1] Ministry of Municipal Affairs. (2012). *2011-12 Annual Report*.

**Figure 1—Comparison of Estimates to Actual Spending by Major Programs**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management Services | $ 4.9 | $ 4.4 |
| Municipal Relations | 7.4 | 7.1 |
| Municipal Financial Assistance | 317.2 | 307.2 |
| Federal Municipal Assistance | 57.8 | 55.0 |
| Saskatchewan Municipal Board | 1.4 | 1.2 |
| **Total Appropriation and Expense** | $ 388.7 | $ 374.9 |

Source: *Saskatchewan Provincial Budget 11-12 Estimates* (vote 30); Ministry of Municipal Affairs (2012). *2011-12 Annual Report*

**Figure 2—Comparison of Estimates to Actual Spending by Object**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Salaries | $ 10.1 | $ 9.6 |
| Goods and services | 4.0 | 3.4 |
| Transfers – operating | 240.5 | 241.2 |
| Transfers – capital | 134.1 | 120.7 |
| **Total Appropriation and Expense** | $ 388.7 | $ 374.9 |

Source: *Saskatchewan Provincial Budget 11-12 Estimates* (vote 30); *Public Accounts 2011-12 Volume 2 Details of Revenue and Expense*

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **The Ministry of Municipal Affairs had effective rules and procedures to safeguard public resources except for the matter reported in this chapter**
- **The Ministry of Municipal Affairs complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Government Organization Act*
*The Government Organization Exemption Regulations*
*The Ministry of Municipal Affairs Regulations, 2007*
*The Department of Rural Development Act*[2]
*The Department of Urban Affairs Act*[3]
*The Assessment Management Agency Act*
*The Assessment Management Agency Regulations*
*The Municipalities Act*
*The Municipal Board Act*
*The Northern Municipalities Act, 2010*
*The Urban Municipalities Act, 1984*
*The Municipal Grants Act*
*The Municipal Grants Regulations*
*The Crown Employment Contract Act*
*The Federal-Provincial Agreements Act*
*The Financial Administration Act, 1993*
*The Tabling of Documents Act, 1991*
Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Municipal Affairs' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of Municipal Affairs' financial-related controls used to administer the spending listed in **Figure 1**, its revenues, and its obligations. Also, we examined the effectiveness of the controls it uses to keep reliable financial records and prepare reliable financial reports.

Since Municipal Affairs receives significant funds from the Federal Government and provides those funds to municipalities for their operations and infrastructure, we paid particular attention to Municipal Affairs' controls for managing grant payments to municipalities. This included assessing its processes for awarding grants, approving grant payments, and for monitoring municipalities' compliance with federal and provincial funding agreements.

## 3.1 Timely Removal of User Access Needed

Municipal Affairs is responsible for having adequate policies and procedures to ensure only approved people can use the network and data systems. Removing user access from individuals who no longer work for Municipal Affairs should be completed in a timely manner. If unneeded access is not removed promptly, it increases the risk of inappropriate access and unauthorized changes to the systems and data.

During 2011-12, we noted eight instances where the Ministry did not request removal of unneeded user access on a timely basis. The Ministry communicated some guidance to staff regarding removal of unneeded access. However, that guidance did not require removal of user access upon employee termination. Staff did not follow the guidance during the year.

1. **We recommend that the Ministry of Government Relations document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly.**

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[2] Shared responsibility with the Minister of the Economy and the Minister of Agriculture.
[3] Shared responsibility with the Minister of Social Services.

# Chapter 16
# North Sask. Laundry & Support Services Ltd.

## 1.0 MAIN POINTS

We have not completed our audit work because North Sask. Laundry & Support Services Ltd. (NSL) has not yet prepared its financial statements for the year ended March 31, 2012. However, we have performed sufficient work to report the following matters relating to NSL's controls.

NSL needs to establish policies and procedures to ensure all amounts recorded in its accounting records are adequately supported. Also, NSL needs to approve all changes to its accounting records and reconcile bank balances to the accounting records on a timely basis. Reconciling bank balances helps ensure that all transactions have been recorded and that accounting records are accurate.

The Board needs to receive timely and reliable interim and year-end financial reports. Incorrect and incomplete financial information could result in incorrect and inappropriate decisions. The Board also needs to monitor whether senior management and staff follow established rules and procedures. We will report the final results of our audit in a future report.

## 2.0 INTRODUCTION

North Sask. Laundry & Support Services Ltd. (NSL) is a wholly-owned subsidiary of four regional health authorities (Prince Albert Parkland, Prairie North, Kelsey Trail, and Mamawetan Churchill River). It provides laundry services to these health authorities and other organizations in Saskatchewan.

Because it did not maintain accurate accounting records, NSL has not yet prepared its financial statements for the year ended March 31, 2012.

For the previous year ended March 31, 2011, NSL had revenue of $6.2 million, expenses of $5.7 million, an operating surplus of $0.5 million, and held assets of $7.5 million. Complete financial information for the year ended March 31, 2012 is not yet available.

## 3.0 AUDIT FINDINGS

We worked with NSL's appointed auditor, MNP LLP, Chartered Accountants, using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

We have not yet completed our audit because NSL has not prepared financial statements for the year ended March 31, 2012 for audit purposes. We will complete our work when we receive NSL's financial statements and report our findings in our next report.

However, we have performed sufficient work to report the following matters.

## 3.1 Policies for Controlling Payments to Employees Needed

We recommended that North Sask. Laundry & Support Services Ltd. establish policies and procedures for controlling payments to its employees. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

NSL has not established effective policies for controlling payments to its employees. NSL has approximately 80 employees. In 2011, NSL spent about $3 million on payroll.

As in the past, we noted several instances where employees did not sign their time sheets and their supervisors did not always leave evidence of their review and approval of time sheets. Time sheets determine employees' earnings and their benefit entitlement (e.g., vacations). Incorrect time sheets could result in incorrect payments to employees and inappropriate benefits. In addition, NSL did not maintain reliable records showing each employee's benefits earned and benefits used. As a result, NSL is unable to determine how much it owes to its employees for unused vacation pay and other benefits (e.g., banked time) at year-end.

## 3.2 Policies and Procedures in Place for Purchasing Goods and Services

We recommended that North Sask. Laundry & Support Services Ltd. have clear policies and procedures for purchasing goods and services. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

NSL has implemented clear policies and procedures for purchasing goods and services.

## 3.3 Accurate and Complete Accounting Records Needed

NSL needs accurate and complete accounting records.

Agencies need accurate interim financial reports to manage their operations. To prepare accurate financial reports, agencies need complete and accurate accounting records. Inaccurate and incomplete financial records could result in incorrect financial reports.

During the audit, we found numerous errors in NSL's accounting records relating to revenue and expenses. For example, management could not support all amounts recorded as owing to NSL or the amounts it owes to others. Nor could management determine grant revenue due from one of its shareholders. In addition, management could not reconcile records for laundry cleaned and amounts billed.

We noted instances where accounting records did not reconcile to the payroll spreadsheets and there was no evidence of review and approval of payroll.

Reconciling recorded bank balances to the bank's records on a timely basis helps ensure that all transactions have been properly recorded and that the accounting records are accurate. We noted that employees did not complete all monthly bank reconciliations between December 2011 to March 2012, until May 2012.

In addition, we noted that none of the changes to the accounting records (through journal vouchers) had evidence of review and approval by management. Lack of approval of journal vouchers increases the risk that errors and frauds may be perpetrated and concealed without detection.

1. **We recommend that North Sask. Laundry & Support Services Ltd. maintain complete and accurate financial records.**

2. **We recommend that North Sask. Laundry & Support Services Ltd. reconcile its recorded bank balances to the bank's records on a timely basis.**

3. **We recommend that North Sask. Laundry & Support Services Ltd. approve all journal vouchers.**

## 3.4 Credit Cards Use Policy in Place

We recommended that North Sask. Laundry & Support Services Ltd. establish policies setting out who can use corporate credit cards, for what purpose, and the approval process. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

NSL has established policies and procedures setting out who can use corporate credit cards, for what purpose, and the approval process.

## 3.5 Board Needs to Monitor Operations

The Board needs to monitor NSL operations regularly.

The Board did not receive timely financial reports during the year. Because NSL did not maintain accurate and complete financial records, the interim financial reports that the Board received during the year were incomplete and incorrect.

Incorrect and incomplete financial statements could result in incorrect and inappropriate decisions by those who are responsible for monitoring operations and management performance.

NSL has established a delegation of authority grid for senior management. Under the established authority grid, senior management require Board approval prior to making payments to themselves. During the year, the general manager received $9,600 for accrued vacation time without the Board's knowledge and approval. At the time of our audit work, we noted that this vacation payout was not recorded to reduce the general manager's vacation entitlement.

Also, the established policy requires that senior management's expense claims must be approved by the Board. However, we noted that the general manager's expense claims were paid prior to approval by any of the Board members or the Chair.

Employees of an organization usually learn from the behaviour of their managers. Non-compliance with established policies by senior management gives staff a message that not complying with established policies is acceptable.

4. **We recommend that the Board of Directors regularly monitor operations of North Sask. Laundry & Support Services Ltd.**

5. **We recommend that North Sask. Laundry & Support Services Ltd. provide its Board of Directors with accurate and timely interim financial reports.**

6. **We recommend that North Sask. Laundry & Support Services Ltd. comply with its established delegation of authority.**

# Chapter 17
# Parks, Culture and Sport

## 1.0 MAIN POINTS

Effective May 25, 2012, the Ministry of Tourism, Parks, Culture and Sport became the Ministry of Parks, Culture and Sport (Parks) and some responsibilities were transferred to the Ministry of the Economy.

This chapter reports the results of the annual audits of Parks and its agencies for the year ended March 31, 2012. Parks and its agencies had effective controls to safeguard public resources and complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending borrowing, and investing. Parks' agencies' financial statements for the year ended March 31, 2012 are reliable.

Parks has not yet renewed its agreement with its lotteries marketing agent. Parks plans to amend the new agreement to require the lotteries marketing agent to make payee lists available to the Ministry.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

The mandate of Parks is to support, celebrate and build pride in Saskatchewan. Parks' strategic focus is on tourism enhancement, quality of life and economic growth.[1]

### 2.1 Financial Overview

For the year ended March 31, 2012, Parks spent $98.5 million (2011 - $102.3 million) including net capital acquisitions of $9 million (2011 - $4.8 million). Also, Parks recorded revenue of $8.8 million (2011 - $13.3 million) from lottery licencing fees and agreements with the Federal Government. In addition, Parks raises revenue and incurs expenses through the Commercial Revolving Fund.[2] At March 31, 2012, Parks had 239 employees.[3]

Information about Parks' revenues and expenditures appear in Parks' *2011-12 Annual Report*.[4] Parks' major programs and spending are shown in **Figure 1.**

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[1] Saskatchewan Provincial Budget: 2011-12 Estimates, www.finance.gov.sk.ca/budget2011-12/2011-12Estimates.pdf

[2] The Commercial Revolving Fund collects and distributes funds used in the operation of Saskatchewan's provincial parks.

[3] Government of Saskatchewan. *Public Service Commission 2011-12 Annual Report*, p. 28.

[4] www.pcs.gov.sk.ca/Annual-Report.

**Figure 1—Major Programs and Spending**

| | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management Services | $ 9.8 | $ 9.4 |
| Tourism | 14.7 | 13.9 |
| Parks | 27.3 | 27.4 |
| Building Communities Program | 5.7 | 1.3 |
| Culture | 29.4 | 25.9 |
| Heritage | 8.9 | 8.9 |
| Strategic Policy, Planning & Partnerships | 2.3 | 2.3 |
| Community Initiatives Fund | 9.5 | 9.4 |
| Saskatchewan Communications Network | -- | -- |
| **Total Appropriation** | $ 107.6 | $ 98.5 |
| Capital Asset Acquisitions | (9.3) | (9.0) |
| Capital Asset Amortization | 2.4 | 2.2 |
| **Total Expenses** | $ 100.7 | $ 91.7 |

Source: 2011-12 *Ministry Tourism, Parks, Culture and Recreation Annual Report.*

## 3.0 BACKGROUND

At March 31, 2012, Parks was responsible for the following special purpose funds, trusts, and Crown agencies (agencies). Each one has a March 31 year-end:

Commercial Revolving Fund
Community Initiatives Fund
Saskatchewan Arts Board
Saskatchewan Heritage Foundation
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation
Saskatchewan Snowmobile Fund
Western Development Museum

## 4.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

Our Office worked with Virtus Group LLP, the appointed auditor, to carry out the audit of the Community Initiatives Fund and Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

**In our opinion, for the year ended March 31, 2012:**

- **Parks and its agencies had effective rules and procedures to safeguard public resources except for the matter described in this chapter**

- **Parks and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Active Families Benefit Act*
  *The Arts Board Act, 1997*
  *The Arts Board Regulations*
  *The Culture and Recreation Act, 1993*
  *The Economic and Co-operative Development Act - Sections 8 (a), 8(b), and 9(1)(e)*
  *The Film Employment Tax Credit Act*
  *The Film Employment Tax Credit Regulations*
  *The Heritage Property Act*
  *The Interprovincial Lotteries Act, 1984*
  *The Interprovincial Lotteries Regulations, 1994*
  *The Meewasin Valley Authority Act*
  *The Ministry of Tourism, Parks, Sport, and Culture Regulations, 2007*
  *The Multiculturalism Act*
  *The Natural Resources Act*
  *The Parks Act*
  *The Parks Regulations, 1991*
  *The Regional Parks Act, 1979*
  *The Regional Parks Regulations*
  *The Saskatchewan Gaming Corporation Act (Part IV)*
  *The Snowmobile Act*
  *The Snowmobile Regulations, 1998*
  *The Tourism Authority Act*
  *The Tourism Authority Regulations*
  *The Wakamow Valley Authority Act*
  *The Wanuskewin Heritage Park Act, 1997*
  *The Western Development Museum Act*
  *The Government Organization Act*
  Orders in Council issued pursuant to the above legislation

- **The financial statements of the agencies are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Parks' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audits, we examined the effectiveness of Parks' and its agencies' financial-related controls used to administer their spending, their revenues, and their various assets consistent with related authorities. In addition, we examined the effectiveness of the controls Parks uses to keep reliable financial records, prepare reliable financial reports, and safeguard the provincial parks that it administers. We also examined the processes used to oversee the lottery system and the Lottery Trust Fund for Sport, Culture and Recreation, and the Community Initiatives Fund. This year, we paid particular attention to the following areas:

- Processes surrounding revenue and payment systems

- Payment processes Parks used to provide financial support through operating grants to the Commercial Revolving Fund, Saskatchewan Arts Board, Saskatchewan Heritage Foundation, Saskatchewan Snowmobile Fund, and Western Development Museum

- Processes surrounding Parks' oversight of the lottery system and the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation, and the Community Initiatives Fund

## 4.1 Amend Lottery Agreement

We recommended that when the Ministry of Tourism, Parks, Culture and Sport renews its agreement with its lotteries marketing agent that the Ministry amend the agreement to require the lotteries marketing agent to make payee lists (e.g., employees and suppliers) available to the Ministry. (2011 Report – Volume 2)

**Status** – We continue to make this recommendation.

Sask Sport Inc. (parent company of Saskatchewan Lotteries) is Parks' marketing agent for the marketing of lottery products in Saskatchewan and the administration of the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund). Parks indicated that it plans to renew its agreement with Sask Sport Inc. when the current agreement expires on March 31, 2014. The renewal is expected to include an amendment requiring its marketing agent to provide Parks with an annual payee listing of all money paid out of the Trust Fund.

# 5.0 EXHIBITS

## 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provide an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Parks, Culture and Sport (Provincial parks capital asset planning)** (2009 Report – Volume 3) | | |
| 2011 | 18-1 that the Ministry of Parks, Culture and Sport include in its capital asset plan for the provincial parks system the projected future use levels for key capital assets (including assumptions and factors influencing trends) and a summary of capital asset risks for the projected use levels. | **Partially implemented**<br>(as of September 15, 2011) |
| 2011 | 18-2 that the Ministry of Parks, Culture and Sport set out principles in its capital asset plan to guide how it operates and maintains key capital assets in the provincial parks system. | **Not implemented**<br>(as of September 15, 2011) |
| 2011 | 18-3 that the Ministry of Parks, Culture and Sport include estimated life-cycle costs in its long-term capital asset plan for the provincial parks system. | **Not implemented**<br>(as of September 15, 2011) |

# Chapter 18
# Regina Qu'Appelle Regional Health Authority

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) for the year ended March 31, 2012.

Regina Qu'Appelle complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Its financial statements for the year ended March 31, 2012 are reliable.

Regina Qu'Appelle had effective rules and procedures to safeguard public resources except that it needs to establish an internal audit function, strengthen its information technology security, establish and test a disaster recovery plan, improve its human resource planning, and develop a capital equipment plan.

## 2.0 INTRODUCTION

On August 1, 2002, *The Regional Health Services Act* (the Act) created the Regina Qu'Appelle Regional Health Authority. The Act makes Regina Qu'Appelle responsible for the planning, organization, delivery, and evaluation of health services in its health region or any other area that may be directed by the Minister of Health.

Regina Qu'Appelle's financial statements for the year ended March 31, 2012 show operating fund revenues totalling $930.2 million and expenses totalling $929.2 million. They also show capital fund revenues totalling $13.3 million and expenses totalling $31.6 million. Regina Qu'Appelle held assets totalling $430.6 million at year-end.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **Regina Qu'Appelle had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **Regina Qu'Appelle complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Critical Incident Regulations*
  *The Health Information Protection Act*
  *The Health Labour Relations Reorganization (Commissioner) Regulations*
  *The Housing and Special-care Homes Regulations*
  *The Regional Health Services Act*
  *The Regional Health Services Administration Regulations*
  *The Special-care Homes Rates Regulations, 2011*
  *The Trustee Act, 2009*
  *The Tabling of Documents Act, 1991*
  *The Regina Qu'Appelle Regional Health Authority Board Bylaws*
  Orders in Council issued pursuant to the above legislation

- **Regina Qu'Appelle's financial statements are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Regina Qu'Appelle's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of Regina Qu'Appelle's financial-related controls used to administer the revenues, expenses and assets identified in Section 2.0. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

## 3.1 Consider Establishing an Internal Audit Function

We recommended that the Regina Qu'Appelle Board implement an internal audit function. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – We continue to make this recommendation.

Although the Board of Directors determined in 2005 that an internal audit function was needed, Regina Qu'Appelle has not yet established an internal audit function.

An internal auditor could provide assurance to the Board and senior management on the effectiveness and efficiency of management processes. The internal audit function could also provide assurance on the effectiveness of information technology security controls to protect patient data.

## 3.2 Information Technology Security Needs Strengthening

We recommended that Regina Qu'Appelle adequately protect its information technology systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Regina Qu'Appelle has documented information technology (IT) security policies and procedures for granting access and defining password requirements. However, Regina Qu'Appelle needs to follow its procedures for removing unneeded user accounts on a timely basis. It also needs to update its computer equipment on a timely basis for known security risks.

Lack of compliance with security processes could compromise the confidentiality, integrity, and availability of Regina Qu'Appelle's IT systems and data.

## 3.3 Disaster Recovery Plan Needed

We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Regina Qu'Appelle relies on IT systems and data to support the delivery of patient care. The primary function of a disaster recovery plan is to restore the IT services after a major disaster or other interruption.

Regina Qu'Appelle has identified some staff roles and responsibilities related to disaster recovery. It has also documented recovery time objectives for key systems and identified the need for an alternate computer facility. However, it does not have a complete plan that identifies how to restore its IT systems and data. Once Regina Qu'Appelle has developed a complete plan, it needs to test the plan to assess its effectiveness.

eHealth Saskatchewan[1] (eHealth) has a close working relationship with Regina Qu'Appelle and provides it some IT services. To have a robust disaster recovery plan, Regina Qu'Appelle must ensure that its service provider, eHealth, also has an effective plan. Accordingly, the adequacy of Regina Qu'Appelle's recovery plan very much depends on the adequacy of the recovery plan of eHealth (see Chapter 6).

## 3.4 Human Resources Planning Needs Improvement

We recommended that Regina Qu'Appelle improve its human resource planning processes by:

- Analyzing the extent of its workforce gaps and estimate their future impact on service delivery
- Monitoring human resource risks at least quarterly using key performance measures.

(2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Regina Qu'Appelle's Workforce Planning Steering Committee (Committee) sets direction and makes decisions related to human resource planning priorities, needs, and reporting requirements. The Committee consists of management staff from all areas of Regina Qu'Appelle.

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[1] eHealth Saskatchewan is a Treasury Board Crown corporation previously known as the Saskatchewan Health Information Network.

During 2011-12, Regina Qu'Appelle developed reports that provide information on key human resource issues such as absenteeism, workforce diversity, and employee age composition. Regina Qu'Appelle has also drafted a workplace plan. The objectives of the plan are to identify and address short-term human capital risks and to establish a process to identify medium and longer term risks. Regina Qu'Appelle has identified key short-term priorities and plans to identify longer term risks in future years. Regina Qu'Appelle has made some progress in this area but more work remains.

Regina Qu'Appelle needs a complete human resource plan to ensure it has resources to deliver health care services in future years.

## 3.5 Capital Equipment Plan Needed

We recommended that all regional health authorities should prepare capital plans that contain the key elements for capital equipment plans in the public sector. (2001 Fall Report – Volume 2; Public Accounts Committee agreement February 19, 2002)

**Status** – We continue to recommend that Regina Qu'Appelle Regional Health Authority should prepare a capital plan that contains all elements for capital plans in the public sector.

In the health system, various capital equipment help the regional health authorities meet their strategic goals and objectives. Capital equipment plans help to reduce the risk that capital assets are not in good working order when required or not being effectively used. A capital equipment plan should include:

- The capital equipment required to support strategic objectives
- The gap between required and existing capital equipment
- The strategies to manage capital equipment
- The justification for capital equipment strategies
- The financial implications of capital equipment strategies

Regina Qu'Appelle does not have an approved long-term capital equipment plan. However, Regina Qu'Appelle has information about clinical and non-clinical equipment it needs over the next three years. Management identifies a priority level for each of its capital equipment needs.

Regina Qu'Appelle's main source of funding for capital equipment is the capital grant from the Ministry of Health and the amount of this grant only becomes known near the end of March each year. Management also informed us that Regina Qu'Appelle allocates the funding from the Ministry to the highest priority equipment and that unaddressed capital equipment needs are deferred to the following years.

Lack of a long-term capital equipment plan increases the risk that Regina Qu'Appelle may not be able to meet its goals and objectives.

# Chapter 19
# Regional Health Authorities

## 1.0 MAIN POINTS

This chapter reports the results of our annual audits for 10 regional health authorities (RHAs). In Chapters 18 and 23, we report the results of our annual audits for Regina Qu'Appelle RHA and Saskatoon RHA respectively.

Heartland, Cypress, and Mamawetan Churchill RHAs continue to make progress towards strengthening their processes. Keewatin Yatthé, Prairie North, and Prince Albert Parkland RHAs have not yet addressed some of the recommendations we first made three years ago. These recommendations relate to controlling bank accounts and protecting information technology systems and data. Kelsey Trail, Five Hills, Sun Country and Sunrise RHAs have effective controls to safeguard public resources.

Most RHAs complied with authorities governing their activities and all RHAs had reliable 2012 financial statements.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

*The Regional Health Services Act* (Act), makes the 12 Regional Health Authorities (RHAs) responsible for the planning, organization, delivery, and evaluation of health services in their health regions.

To complete our audits, we worked with RHAs' appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

The following lists the 10 RHAs that we discuss in this chapter and their appointed auditors. We report Regina Qu'Appelle RHA and Saskatoon RHA in Chapters 18 and 23 respectively.

| Regional Health Authority | Appointed Auditor (at March 31, 2012) |
|---|---|
| Cypress | Stark & Marsh |
| Five Hills | Virtus Group LLP |
| Heartland | KPMG LLP |
| Kelsey Trail | Neupath Group, PC Inc. |
| Keewatin Yatthé | MNP LLP |
| Mamawetan Churchill River | Deloitte & Touche LLP |
| Prairie North | Menssa Baert Cameron Odishaw La Cock |
| Prince Albert Parkland | MNP LLP |
| Sun Country | Virtus Group LLP |
| Sunrise | Parker Quine LLP |

For the year ended March 31, 2012, the RHAs reported in this chapter had operating revenues totalling $1.34 billion and expenses totalling $1.32 billion. They also had capital fund revenues totalling $15.01 million and expenses totalling $45.91 million. These RHAs held assets totalling $747.05 million. Each RHA's annual report includes its audited financial statements.

## 3.0 AUDIT CONCLUSIONS AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **Each of the ten regional health authorities had effective rules and procedures to safeguard public resources except for the matters described in this chapter**

- **Each of the ten regional health authorities complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

  *The Critical Incident Regulations*
  *The Health Information Protection Act*
  *The Health Labour Relations Reorganization (Commissioner) Regulations*
  *The Housing and Special-care Homes Regulations*
  *The Regional Health Services Act*
  *The Regional Health Services Administration Regulations*
  *The Special-care Homes Rates Regulations, 2011*
  *The Trustee Act, 2009*
  *The Tabling of Documents Act, 1991*
  Each RHA's Bylaws
  Orders in Council issued pursuant to the above legislation

- **The financial statements for each of the ten regional health authorities are reliable**

## 3.1 Control Bank Accounts

We recommended that Prairie North Regional Health Authority follow its processes to control bank accounts when making payments to employees. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – We continue to make this recommendation.

We found that employees of Prairie North continued to ignore the established processes. We found many instances where the employees' time cards were not approved prior to payroll processing.

We recommended that Keewatin Yatthé Regional Health Authority follow its established processes to control its bank accounts. (2009 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

Keewatin Yatthé now follows the established processes to control bank accounts. We found no exceptions in our testing of purchases and payroll.

We recommended that Prince Albert Parkland Regional Health Authority follow its established processes to control its bank accounts. (2009 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

PA Parkland did not always follow the established processes to control its bank accounts. We found many instances where employees' time cards were not approved prior to payroll processing.

Lack of timely approval of employee time cards and supplier invoices increases the risk of errors and fraud without ready detection.

## 3.2 Protect Information Technology Systems and Data

We recommended that Mamawetan Churchill River Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis. (2004 Report – Volume 3; Public Accounts Committee agreement October 26, 2005)

**Status** – We continue to make this recommendation.

Mamawetan Churchill River needs to establish policies and procedures for timely identification and removal of user access. Also, it needs to update its computer software systems on a timely basis for known security risks.

We recommended that Prairie North Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

Prairie North has made good progress. However, it needs to improve its procedures to ensure timely removal of users who no longer need access to its system and data. Also, managers should regularly monitor and remove inactive accounts.

We recommended that Prince Albert Parkland Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

PA Parkland needs to follow its processes and ensure timely removal of access to its systems and data for those who no longer need it (see Chapter 48).

We recommended that Keewatin Yatthé Regional Health Authority improve its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – We continue to make this recommendation.

During the year, Keewatin Yatthé did not made any improvement in this area.

We recommended that Heartland Regional Health Authority adequately protect its information technology systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Heartland needs to improve its processes to ensure timely removal of access to its systems and data for those who no longer need it. It also needs to establish processes to ensure IT equipment is secure and protected.

Lack of adequate policies to grant and remove user access to IT systems and data and non-compliance with established policies increases the risk of inappropriate and unauthorized changes to the systems and data.

## 3.3 Disaster Recovery Plan and Testing Needed

We recommended that all regional health authorities establish disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

During 2012, we reassessed each RHA's disaster recovery planning. We concluded that Five Hills, Keewatin Yatthé, Kelsey Trail, and Prairie North had complete and tested DRPs. Heartland needs to update and test its DRP.

Cypress, Mamawetan Churchill River, PA Parkland, and Sun Country each need to complete documenting their DRPs and test them to assess their effectiveness.

Sunrise has documented its DRP but it needs to test it to assess its effectiveness.

Not having up-to-date and tested DRPs increases the risk that systems and data may not be available when needed. To have a robust DRP, RHAs must work with their service provider, eHealth.

## 3.4 Assess Need for Internal Audit Function

We recommended that Prairie North Regional Health Authority assess the need for an internal audit function. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

During the year, Prairie North made no progress towards addressing this recommendation.

Prairie North's Board of Directors and its senior management need to know if the control systems they have established are sound enough to meet their objectives and if Prairie North employees comply with established policies. An internal audit function can provide assurance to the Board and senior management that appropriate controls are in place and are operating effectively.

## 3.5 Controlling Capital Assets

We recommended that Keewatin Yatthé Regional Health Authority count its capital assets and agree its capital asset records to its accounting record regularly. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – We continue to make this recommendation.

During the year, Keewatin Yatthé made no progress to address this recommendation.

Keewatin Yatthé has $33.7 million in capital assets. Because it does not count its assets and compare them with its capital asset records, it does not know if all of its capital assets exist or if its accounting records are accurate. Inaccurate capital asset records could result in wrong decisions about equipment purchases and disposals.

## 3.6 Compliance with Legislation Needed

Keewatin Yatthé needs to comply with *The Housing and Special-care Homes Regulations*.

*The Housing and Special-care Homes Regulations*, in force under *The Regional Health Services Act,* require RHAs to deposit, for safekeeping, in a designated residents' trust account any cash received from residents of their special-care homes. Keewatin Yatthé does not have a designated residents' trust account. Instead, Keewatin Yatthé deposits cash received from residents of its special-care homes in its own operating bank account. This practice is not consistent with *The Housing and Special-care Homes Regulations*. At year-end, Keewatin Yatthé included about $30,000 that belonged to residents of its special-care homes in its operating bank account.

Accordingly, Keewatin Yatthé did not comply with *The Housing and Special-care Homes Regulations*.

1. **We recommend that Keewatin Yatthé Regional Health Authority deposit money received from residents of its Special-care homes in a designated trust account as required by *The Housing and Special-care Homes Regulations* under *The Regional Health Services Act.***

## 3.7 Segregation of Duties Needed

Cypress and Kelsey Trail both need to adequately segregate incompatible duties of their employees who use their financial accounting system.

Segregation of duties is not adequate when one employee is in a position to perpetrate and conceal errors or misappropriations. Cypress and Kelsey Trail have not adequately segregated duties of employees who use their financial accounting systems. We noted some employees' authorized access to the financial accounting systems allow them to both enter and approve transactions.

Lack of adequate segregation of incompatible duties increases the risk of errors and fraud without ready detection.

2. **We recommend that Cypress Regional Health Authority adequately segregate duties of its staff who use its financial accounting system.**

3. **We recommend that Kelsey Trail Regional Health Authority adequately segregate duties of its staff who use its financial accounting system.**

## 3.8 Payroll Advances Account Needs Reconciling

Keewatin Yatthé needs to reconcile its payroll advances account.

Keewatin Yatthé's payroll advances account has not been reconciled since 2008. Reconciliation of accounts helps ensure that accounting records are accurate and complete. Keewatin Yatthé cannot determine if their accounts are accurate and complete.

**4. We recommend that Keewatin Yatthé Regional Health Authority regularly reconcile its payroll advances accounts to its accounting records.**

## 3.9 Capital Equipment Plans Needed

We recommended that all regional health authorities should prepare capital plans that contain the key elements for capital equipment plans in the public sector. (2001 Fall Report – Volume 2; Public Accounts Committee agreement February 19, 2002)

**Status** – We continue to make this recommendation.

RHAs use capital equipment extensively to help meet their strategic goals and objectives. Capital equipment plans help to reduce the risks that capital assets are not in good working order when required or not being used effectively. A capital plan should include the following key elements:

- The capital equipment required to support strategic objectives
- The gap between required and existing capital equipment
- The strategies to manage capital equipment
- The justification for capital equipment strategies
- The financial implication of capital equipment strategies

None of the RHAs have formally approved their capital plans. All RHAs have information about capital equipment they may need over the next three to five years and the costs related to acquiring the equipment. RHAs prioritize the capital equipment needs based on information from their operational units. However, most RHAs have little or no information about how they plan to meet their long-term needs for capital equipment.

Capital funding from the Ministry of Health is the major source of capital revenue for most RHAs. The Ministry provides them annual funding for capital assets. RHAs indicated that they allocate the annual funding from the Ministry to the equipment identified as high priority.

RHAs need to prepare long term capital equipment plans that include all the key elements described above. Lack of a long term capital equipment plan increases the risk that RHAs may not have the capital equipment they need to meet their goals and objectives.

## 3.10 Hiring Practices Now in Place

We recommended that the Sun Country Regional Health Authority follow its policies and procedures when hiring management personnel. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Implemented.

We recommended that the Sun Country Regional Health Authority establish policies and procedures for relocation incentives for new hires. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Implemented.

Sun Country followed its established policies and procedures when hiring management personnel. We did not find any instance of non-compliance when we tested recent hiring of management personnel at Sun Country. Also, Sun Country has now established appropriate policies and procedures for relocation incentives for new hires.

# 4.0 EXHIBITS

## 4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed in this chapter.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Sunrise Regional Health Authority – Scheduling Nurses** (2010 Report – Volume 1) | | |
| 2011 | 12-1 that the Sunrise Regional Health Authority ensure its nursing managers or other authorized staff follow established policies to review and approve nursing staff timesheets. | We plan to do a follow-up in 2013. |
| 2011 | 12-2 that the Sunrise Regional Health Authority identify and regularly report to the Board the causes of nursing staff overtime costs. | We plan to do a follow-up in 2013. |
| 2011 | 12-3 that the Sunrise Regional Health Authority implement established strategies for addressing causes of nursing staff overtime costs and provide regular progress reports to the Board. | We plan to do a follow-up in 2013. |

# Chapter 20
# Saskatchewan Indian Gaming Authority Inc.

## 1.0 MAIN POINTS

In this chapter we report the results of the annual audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2012.

SIGA needs to better protect its information technology (IT) systems and data including: approving a complete IT strategic plan, preparing a complete disaster recovery plan and assessing the need for a business continuity plan. SIGA also needs to strengthen its human resource plan by including a projection of its future human resource needs. This information would allow SIGA to focus its efforts to carry out its strategic plan.

SIGA's 2012 financial statements are reliable and it complied with the authorities governing its activities.

This chapter includes a summary of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

SIGA is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. The Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) licenses SIGA to operate six casinos. SIGA's casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public. All casinos are located on First Nations reserves. The casinos are:

- Northern Lights Casino (Prince Albert)
- Gold Eagle Casino (North Battleford)
- Painted Hand Casino (Yorkton)
- Bear Claw Casino (White Bear First Nation)
- Dakota Dunes Casino (Whitecap First Nation)
- Living Sky Casino (Swift Current)

As required by the Criminal Code (Canada) (Section 207), Liquor & Gaming owns the slot machines located in SIGA's casinos. Accordingly, Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos. The revenue from the slot machines belongs to Liquor & Gaming.

Under the Casino Operating Agreement, Liquor & Gaming allows SIGA to deduct from the slot machine revenues reasonable costs for operating casinos, as determined by Liquor & Gaming (see Section 3.0 Background). SIGA remits the remainder to Liquor & Gaming. Also, the Casino Operating Agreement allows SIGA to recover, in any year, net losses from the operation of licensed table games and ancillary operations from the net income earned from the operation of slot machines.

## 2.1 Financial Overview

The casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, and lounges), and table games operations. **Figure 1** shows the net casino profits SIGA made during the last five years.

**Figure 1–SIGA Financial Results for the Year ended March 31**

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Slot operations profit | $ 92,174 | $ 80, 122 | $ 75,468 | $ 78,685 | $ 68,355 |
| Ancillary operations loss | (7,501) | (11, 779) | (11,472) | (9,399) | (6,143) |
| Table games operations loss | (3,032) | (4,248) | (3,755) | (2,066) | (1,106) |
| Distributable net profit | 81,641 | 64,094 | 60,241 | 67,220 | 61,106 |
| Unrealized gain (loss) on interest rate swaps | (2,489) | 345 | 4,867 | (7,346) | (3,014) |
| **Net profit** | $ 79, 152 | $ 64,439 | $ 64,108 | $ 59,874 | $ 58,092 |

Source: 2007-08 to 2011-12 Saskatchewan Indian Gaming Authority Annual Reports

# 3.0 BACKGROUND

In 2002, the Government of Saskatchewan and the FSIN signed the 2002 Framework Agreement (Framework Agreement) effective from June 11, 2002 to June 11, 2027. The Framework Agreement allows the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code*.

Liquor & Gaming and SIGA also signed a Casino Operating Agreement effective from June 11, 2002 to June 11, 2027. Under the Casino Operating Agreement, Liquor & Gaming allows SIGA to deduct from slot machine revenues reasonable costs incurred in accordance with the operating policies approved by Liquor & Gaming. SIGA deposits the remainder into a trust account for Liquor & Gaming in accordance with the process specified in the Casino Operating Agreement. The management of SIGA, in conjunction with Liquor & Gaming, are responsible for setting policies for what constitutes reasonable costs.

As part of Liquor & Gaming's monitoring processes over reasonable costs, its Internal Audit function performs annual audits to ensure that SIGA expenditures are reasonable, comply with relevant policies and have an adequate business purpose. If SIGA incurs inappropriate expenses above $10,000 annually, Liquor & Gaming can then recover 25% of the amount of such expenses from future payments to the First Nations Trust.[1]

The latest audit was conducted for the period from October 1, 2010 to September 30, 2011 and the report was finalized in September 2012. As of September 30, 2012, Liquor

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[1] The purpose of the First Nations Trust is to distribute First Nations' share of gaming proceeds due to them pursuant to the 2002 Framework Agreement.

& Gaming's Internal Audit function has not yet completed the audit of SIGA's expenses incurred after September 30, 2011.

Based on internal audit results, Liquor & Gaming concluded that, in general, expenses audited up to September 30, 2011 were appropriate business expenses and no recovery was required (see Chapter 21 on Liquor & Gaming).

## 4.0 AUDIT CONCLUSIONS AND FINDINGS

To form our opinions, we worked with SIGA's appointed auditor, Deloitte & Touche LLP. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

**In our opinion, for the year ended March 31, 2012:**

- **SIGA had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **SIGA complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Non-profit Corporations Act, 1997*
  *The Non-profit Corporations Regulations, 1997*
  *The Alcohol and Gaming Regulation Act, 1997*
  *The Gaming Regulations, 2007*
  *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada)
  *Proceeds of Crime (Money Laundering) Suspicious Transactions Reporting Regulations* (Canada)
  *Terms and Conditions for SIGA Table Games* (issued by Indigenous Gaming Regulators Inc.)
  *SIGA Slot Machine Operating Procedures and Directives* (issued by Liquor & Gaming)
  *SIGA Operating Policies and Directives* (issued by Liquor & Gaming)
  SIGA Bylaws
  *2002 Framework Agreement* (June 11, 2002)
  *Casino Operating Agreement* (June 11, 2002)

- **SIGA's financial statements are reliable**

## 4.1 Improve IT Strategic Plan

We recommended that Saskatchewan Indian Gaming Authority Inc.'s management review and the Board approve an information technology (IT) strategic plan. (2005 Report – Volume 3; Public Accounts Committee agreement October 31, 2006)

**Status** – We continue to make this recommendation.

In January 2011, SIGA's Board approved an IT strategic plan. However, the approved IT strategic plan does not have all of the key elements of a good IT strategic plan. SIGA's approved IT strategic plan does not contain an analysis of its current environment, an assessment of key threats and risks, long-term planning, and estimated resources required to carry out the plan. SIGA identified key threats and risks but has not yet incorporated these into its IT strategic plan.

## 4.2 Prepare Complete Disaster Recovery Plan and Business Continuity Plan

We recommended that Saskatchewan Indian Gaming Authority Inc. prepare a complete disaster recovery plan and assess the need for a business continuity plan. (2008 Report – Volume 3; Public Accounts Committee agreement March 11, 2009)

**Status** – We continue to make this recommendation.

SIGA places significant reliance on its IT systems to operate. SIGA still does not have a complete disaster recovery plan (DRP) for its IT systems. Nor has SIGA assessed the requirements for a business continuity plan (BCP) that would include emergency preparedness planning for all of its casinos. A BCP would help SIGA recover critical business functions in the event of a disaster. In 2010, SIGA initiated a project to address this issue. SIGA plans to complete this project in 2012-13.

## 4.3 Improve Human Resource Plan

We recommended Saskatchewan Indian Gaming Authority Inc. complete and implement its human resource plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 29, 2004)

**Status** – We continue to make this recommendation.

SIGA developed a draft 2009-2014 human resource plan. To strengthen this plan, SIGA should include a projection of its future human resource needs (i.e., number, type, level, and location of employees). This information would allow SIGA to focus its efforts to carry out its strategic plan.

## 4.4 Segregate IT Responsibilities

We recommended that Saskatchewan Indian Gaming Authority Inc. adequately segregate responsibilities of information technology staff so that one person cannot both develop and make system changes. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – We continue to make this recommendation.

IT application developers for some of SIGA's main applications have the ability to both develop system changes and implement these changes without authorization. Lack of segregation of duties between the development and implementation functions in an IT environment increases the risk of unauthorized and incorrect changes to systems and data. These could result in errors in financial information.

## 4.5 Review of User Access

We recommended that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – We continue to make this recommendation.

SIGA does not review IT user access or segregation of duties for application user accounts to ensure that the access granted is required and consistent with each employee's job responsibilities. Lack of such reviews increases the risk of unauthorized access to and inappropriate modifications of systems and data.

## 4.6 Control Capital Assets

We recommended that Saskatchewan Indian Gaming Authority Inc. follow its policies to control capital assets. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – We continue to make this recommendation.

SIGA's policies require employees to periodically count capital assets and compare the counts to the accounting records. However, employees have not done a complete count of capital assets at its casinos. Therefore, SIGA cannot be sure that all capital assets recorded in its accounting records exist.

## 4.7 Password Settings Implemented

We recommended that Saskatchewan Indian Gaming Authority Inc. follow its computer password setting policy. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented.

SIGA has established and uses access password setting requirements for its systems and data.

# Chapter 21
# Saskatchewan Liquor and Gaming Authority

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) for the year ended March 31, 2012.

Liquor & Gaming's 2012 financial statements are reliable. Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

This chapter includes two new recommendations for Liquor & Gaming to strengthen its rules and processes to safeguard public resources. First, Liquor & Gaming needs to implement an enterprise risk framework to help mitigate risks within the organization. Second, Liquor & Gaming needs to monitor the expenses of the Saskatchewan Indian Gaming Authority on a timely basis to ensure expenses were incurred for appropriate business purposes.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

Liquor & Gaming is a Crown agency that operates under *The Alcohol and Gaming Regulation Act, 1997*. The mandate of Liquor & Gaming is to develop, support, operate, and regulate the beverage alcohol and gaming industries in the Province.

Liquor & Gaming operates retail liquor stores and video lottery terminals. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority Inc.'s (SIGA's) casinos. Liquor & Gaming includes slot machine revenues and expenses in its financial statements.

### 2.1 Financial Overview

In 2011-12, Liquor & Gaming had revenues of $1,040 million, expenses of $576 million, and comprehensive income[1] of $464 million. At March 31, 2012, Liquor & Gaming held total assets of $168 million and had a retained deficit of $7.6 million. Liquor & Gaming's 2011-12 annual report includes its financial statements.

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[1] Comprehensive income is the term for net income when agencies use International Financial Reporting Standards for their accounting.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended March 31, 2012:**

- **Liquor & Gaming had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **Liquor & Gaming complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Alcohol & Gaming Regulation Act, 1997*
  *The Liquor Consumption Tax Act*
  *The Litter Control Act*
  *The Litter Control Designation Regulations*
  *Customs Tariff Act* (Canada)
  *Excise Act* (Canada) (Schedule I and II)
  *Excise Tax Act* (Canada) (Section 188)
  *Excise Act, 2001* (Canada) (Schedule IV-VI)
  *Criminal Code* (Canada) (Section 207)
  *The Alcohol Control Regulations, 2002*
  *The Saskatchewan Gaming Corporation Casino Regulations, 2002*
  *The Gaming Regulations, 2007*
  *The Liquor and Gaming Authority Employee Code of Conduct Regulations*
  Orders in Council issued pursuant to the above legislation

- **Liquor & Gaming's financial statements are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Liquor and Gaming's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of Liquor & Gaming's financial related controls to administer revenues and expenses, safeguard assets, keep reliable financial records consistent with related authorities and prepare reliable financial reports.

Liquor & Gaming is responsible for the distribution, control and regulation of liquor and gaming in Saskatchewan. We focused on the how Liquor & Gaming operates retail liquor stores, video lottery terminals (VLTs), and break-open vending machine program. In addition, Liquor & Gaming owns and manages slot machines located at SIGA's casinos and the related revenues and expenses are included in Liquor & Gaming's financial statements. Our audit also includes an evaluation of significant Information Technology systems and processes. We also review the work done by Liquor & Gaming's Compliance Branch and Internal Audit Branch to ensure liquor and gaming in the Province complies with legislation.

## 3.1 Risk Assessment Needed

All agencies face risks in achieving their objectives. Risks are missed opportunities or adverse events that could influence an agency's ability to meet its strategic objectives. Risk management is the culture, processes, and structures that are directed towards realizing potential opportunities while managing adverse events. Liquor & Gaming needs good risk management processes to help it adapt to changing circumstances and take full advantage of opportunities while reducing threats to reasonable levels.

Liquor & Gaming's strategic plan (also called its performance plan) does not include a formal risk assessment. Liquor & Gaming may not meet its organizational goals and objectives if risks are not identified, documented and mitigated to an acceptable level. Management initiated an enterprise risk management framework project in 2010-11. However, after initial research being completed, SLGA has not developed a complete framework and plan for the organization.

1. **We recommend that Saskatchewan Liquor and Gaming Authority develop and implement an enterprise risk management framework and plan.**

## 3.2 Need to Monitor SIGA's Expenses on a Timely Basis

Under the Casino Operating Agreement (Agreement), the revenues from the slot machines in SIGA's casinos belong to Liquor & Gaming. SIGA's expenses reduce Liquor & Gaming's income from slot machine revenues. Accordingly, Liquor & Gaming is exposed to SIGA's operating risks.

Under the Agreement, Liquor & Gaming allows SIGA to deduct from the slot machine revenues reasonable costs incurred in accordance with operating policies approved by Liquor & Gaming. SIGA remits the remaining revenue to Liquor & Gaming. SIGA, in conjunction with Liquor & Gaming, is responsible for setting these policies regarding what constitutes reasonable costs.

As part of Liquor & Gaming's monitoring processes to assess reasonableness of SIGA's costs, Liquor & Gaming's Internal Audit Branch annually review SIGA's expenditures to determine whether they are reasonable, comply with approved policies, and have an adequate business purpose. If SIGA incurs inappropriate expenses greater than $10,000 annually, Liquor & Gaming will recover 25% of the amount of such expenses from future payments to the First Nations Trust.[2]

The latest review was completed for the period from October 1, 2010 to September 30, 2011 a year later, in September 2012. The review highlights areas of concern where some of SIGA's policies could be improved. However, Liquor & Gaming determined that no inappropriate expenses greater than $10,000 occurred during the period reviewed. More timely reviews of the expenses would highlight concerns to SIGA sooner.

Because the reviews are not timely, SIGA does not know if Liquor & Gaming has determined if it has incurred inappropriate business expenses for any period after September 30, 2011.

2. **We recommend that Saskatchewan Liquor and Gaming Authority complete its review of Saskatchewan Indian Gaming Authority's expenses on a timely basis.**

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[2] The purpose of the First Nations Trust is to distribute First Nations' share of gaming proceeds due to them pursuant to the 2002 Framework Agreement.

## 3.3 Risk-Based Process to Assess SIGA's Compliance with Approved Policies in Place

We recommended that Saskatchewan Liquor and Gaming Authority establish a risk-based process to assess SIGA's compliance with approved operating policies. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

**Status** – Implemented.

During the 2011-12 year, Liquor & Gaming completed its risk assessment to identify and assess the risks associated with SIGA's compliance with SIGA's approved operating policies. Liquor & Gaming developed strategies to perform work on policies that have a moderate risk of loss after considering work completed by SIGA's internal auditor, SIGA's external auditor, Liquor & Gaming's Gaming Operations Division, and Liquor & Gaming's Internal Audit Branch. Liquor & Gaming's risk assessment identified no gaps in its process for monitoring SIGA's operations that posed a high risk of loss.

## 3.4 Losses from Automated Teller Machine Recovered

We recommended that Saskatchewan Liquor and Gaming Authority take steps to recover losses of public money from automated teller machines at SIGA casinos. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

**Status** – Implemented.

In 2009-10, SIGA incurred a $1.2 million loss on automated teller machines (ATMs) resulting from SIGA's non-compliance with approved policies. Through insurance and litigation, SIGA has recovered substantially the full amount of the ATM loss.

## 3.5 Casino Automated Teller Machines Registered

We recommended that Saskatchewan Liquor and Gaming Authority register casino automated teller machine (ATM) suppliers. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

**Status** – Implemented.

As the regulator of the Saskatchewan gaming industry and as an operator, Liquor & Gaming needs to ensure that individuals and organizations that provide services to the gaming industry are reputable.

Liquor & Gaming now requires casino ATM suppliers to be registered and all current suppliers are included in the Registration Branch's "Active Supplier Listing." Liquor & Gaming conducts an annual review to ensure all companies doing business in the gaming sector in Saskatchewan are registered. ATM suppliers are now subject to this process to ensure they hold a certificate of registration from Liquor & Gaming.

## 3.6 Compliance with Information Technology Policies Needed

We recommended that Saskatchewan Liquor and Gaming Authority follow its approved information technology (IT) policies and procedures. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – We continue to make this recommendation.

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. Employees did not follow the approved IT policies for configuring network devices and monitoring IT security. Liquor & Gaming needs to properly configure network devices (e.g., firewalls) and monitor network security to detect and react to security threats quickly. Liquor & Gaming must also establish a process for managing incidents when they occur.

We noted that employees did not always follow the approved policies for granting and removing user access privileges and for monitoring network security. For example, some former employees had access privileges to Liquor & Gaming's network and certain information technology systems. Also, six employees were given inappropriate access to approve purchase orders in Liquor & Gaming's liquor inventory purchasing system.

Delays in updating user accounts and granting inappropriate access levels increase the risk of unauthorized disclosure of data, inappropriate modification, or loss.

Failure to properly configure network devices and monitor IT security also increases the risk of unauthorized disclosure of data, inappropriate modification, or loss.

Subsequent to year-end, management stated that they have updated employees' network access for those employees whose access was identified as inappropriate.

## 3.7 Timely Bank Reconciliations Needed

We recommended that the Saskatchewan Liquor and Gaming Authority follow its procedures to control its bank accounts. (2011 Report – Volume 2)

**Status** – We continue to make this recommendation.

Liquor & Gaming's procedures require employees to agree (reconcile) its recorded bank balances to the bank's records each month. It also requires management to review and approve the reconciliations. In addition to the monthly bank reconciliations, Liquor & Gaming performs daily reconciliations of its stores' deposits and cheque-clearing activities. Regular reconciliations, and review and approval of such reconciliations, provide a check that all charges to bank accounts are proper and all money has been received and deposited in the right accounts. These also check the accuracy and reliability of Liquor & Gaming's accounting records.

During the year, employees regularly prepared and management reviewed and approved all monthly bank reconciliations. However, this was not always done on a timely basis. For the last quarter of the year (January – March 2012), Liquor & Gaming was complying with its procedures to control its bank accounts.

Liquor & Gaming performed daily store and cheque clearing activities. This does not replace the need for timely monthly bank reconciliations.

## 4.0 EXHIBITS

### 4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Liquor and Gaming Authority (Responsible Use of Beverage Alcohol)** (2006 Report – Volume 1) | | |
| 2007 | 7-2 that the Liquor and Gaming Authority continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol. | **Partially implemented**<br>(as of March 31, 2011) |

# Chapter 22
# Saskatchewan Watershed Authority

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Saskatchewan Watershed Authority (Authority) for the year ended March 31, 2012.

The Authority complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the Authority's 2012 financial statements are reliable.

The Authority had effective rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan. During the year, the Authority implemented two recommendations we made in 2011.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 BACKGROUND

The mandate of the Authority is to lead management of the Province's water resources to ensure safe sources for drinking water and reliable water supplies for economic, environmental, and social benefits for Saskatchewan people.[1]

At March 31, 2012, the Authority held assets of $353.2 million, had annual revenue of $66.1 million, and had a deficit for the year of $10.3 million. Each year, the Authority gives its annual report including its audited financial statements to the Legislative Assembly. The annual report can be found at www.swa.ca.

## 3.0 AUDIT CONCLUSIONS AND FINDINGS

Our Office worked with Deloitte & Touche LLP, the appointed auditor, to carry out the audit of the Authority. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

**In our opinion, for the year ended March 31, 2012:**

- **The Authority had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **The Authority complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

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[1] Saskatchewan Watershed Authority, *2011-12 Annual Report*, p. 8.

*The Saskatchewan Watershed Authority Act, 2005*
*The Saskatchewan Watershed Authority Regulations*
*The Drainage Control Regulations*
*The Water Power Act*
*The Water Power Regulations*
*The Crown Employment Contracts Act*
*The Financial Administration Act, 1993*
Orders in Council issued pursuant to the above legislation

- **The Authority's financial statements are reliable**

## 3.1 Business Continuity Plan Needed

We recommended that the Saskatchewan Watershed Authority implement and test a business continuity plan. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – We continue to make this recommendation.

During the year, the Authority made little progress in this area. The Authority needs a written, approved, and tested business continuity plan[2] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

The Authority must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Authority is at risk of not being able to deliver its programs and services in a timely manner.

A good business continuity plan must:

- Have management support including having the required resources available to create and maintain the business continuity plan
- Be based on a threat and risk assessment including identification and ranking of the Authority's critical functions
- Set out the plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key programs and services
- Be documented, approved by management, and easily accessible when the plan needs activation
- Be tested initially and policies should provide for ongoing testing, maintenance, and updating of the plan

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[2] Business Continuity Plan (BCP)—Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

## 3.2 Information Technology Security Policies and Procedures Need Improvement

We recommended that the Saskatchewan Watershed Authority approve information technology security policies and procedures to address change management, incident management and segregation of information technology duties. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented.

The Authority approved and implemented information technology security policies during the year.

## 3.3 Signed Service Agreement Required

We recommended that the Saskatchewan Watershed Authority have an adequate information technology service agreement with Saskatchewan Water Corporation. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented.

The Authority signed an adequate information technology service agreement with Saskatchewan Water Corporation during the year.

# 4.0 EXHIBITS

## 4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Saskatchewan Watershed Authority – Water Supply** (2010 Report – Volume 2) | | |
| 2011 | The Committee concurs:<br>19-3 that the Saskatchewan Watershed Authority's Board approve a policy for identifying risks to the water supply. | **Not implemented**<br>(as of September 30, 2011)<br>We plan to follow this up in 2013. |

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| 2011 | The Committee concurs:<br>19-4 that the Saskatchewan Watershed Authority implement a written plan for identifying risks to the water supply. | **Not implemented**<br>(as of September 30, 2011)<br>We plan to follow this up in 2013. |
| 2011 | The Committee concurs:<br>19-5 that the Saskatchewan Watershed Authority document its processes to collect information about the water supply. | **Not implemented**<br>(as of September 30, 2011)<br>We plan to follow this up in 2013. |
| 2011 | The Committee concurs:<br>19-6 that the Saskatchewan Watershed Authority systematically evaluate information about the water supply to identify risks. | **Not implemented**<br>(as of September 30, 2011)<br>We plan to follow this up in 2013. |
| 2011 | The Committee concurs:<br>19-7 that the Saskatchewan Watershed Authority consistently document identified causes of risks to the water supply. | **Not implemented**<br>(as of September 30, 2011)<br>We plan to follow this up in 2013. |
| 2011 | The Committee concurs:<br>19-8 that the Saskatchewan Watershed Authority communicate to the public risks about the water supply including likelihood and impact of these risks. | **Not implemented**<br>(as of September 30, 2011)<br>We plan to follow this up in 2013. |

# Chapter 23
# Saskatoon Regional Health Authority

## 1.0 MAIN POINTS

In this chapter, we report that Saskatoon Regional Health Authority's (Saskatoon RHA's) 2012 financial statements are reliable, it complied with its governing authorities, and had effective controls to safeguard public resources except for the following matters.

Saskatoon RHA needs to establish key security policies to reduce the risk of unauthorized access to or loss of systems and data. Also, Saskatoon RHA does not yet have a complete and tested disaster recovery plan.

Saskatoon does not have a comprehensive long-term capital equipment plan. Capital equipment plans help to reduce the risk that capital assets are not in good working order when required or are not being effectively utilized.

We also examined Saskatoon RHA's process for selecting the location of the new Children's Hospital of Saskatchewan (Hospital). We found that Saskatoon RHA used a reasonable process to select the site for the new Hospital. However, it did not have a transparent process to select members of the committee that helped its Board of Directors in making this decision.

## 2.0 INTRODUCTION

On August 1, 2002, *The Regional Health Service Act* (the Act) created the Saskatoon Regional Health Authority. Saskatoon RHA is responsible for the planning, organization, delivery, and evaluation of health services in its health region and any other area directed by the Minister.

For the year ended March 31, 2012, Saskatoon RHA had operating revenues totalling $1.021 billion, expenses totalling $1.028 billion and an operating deficit of $7.08 million. In addition, Saskatoon RHA had restricted fund revenues and expenses totalling $20.71 million and $39.32 million respectively. At March 31, 2012, Saskatoon RHA held assets of $593.83 million.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

To complete our work, we worked with the appointed auditor, KPMG LLP using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

**In our opinion, for the year ended March 31, 2012:**

- **Saskatoon RHA had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **Saskatoon RHA complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Critical Incident Regulations*
  *The Health Information Protection Act*
  *The Health Labour Relations Reorganization (Commissioner) Regulations*
  *The Housing and Special-care Homes Regulations*
  *The Regional Health Services Act*
  *The Regional Health Services Administration Regulations*
  *The Special-care Homes Rates Regulations, 2011*
  *The Trustee Act, 2009*
  *The Tabling of Documents Act, 1991*
  The Saskatoon Regional Health Authority Board Bylaws
  Orders in Council issued pursuant to the above legislation

- **Saskatoon RHA's financial statements are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Saskatoon RHA's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2011-12 audit, we examined the effectiveness of Saskatoon RHA's financial-related controls used to administer the revenues, expenses and assets identified in Section 2.0. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

This chapter also reports the results of our work to assess the reasonableness of Saskatoon RHA's process to select the location of the new Children's Hospital of Saskatchewan.

## 3.1 Policies and Procedures Needed for Security of Information Technology Systems and Data

We recommended that Saskatoon Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis. (2004 Report – Volume 3; Public Accounts Committee agreement October 25, 2005)

**Status** – We continue to make this recommendation.

Saskatoon RHA has approved and communicated to staff an overarching security policy. However, it needs to establish key policies that would support the overarching security policy. Saskatoon RHA has begun work on the supporting policies, but has not yet finalized and implemented those policies.

We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Like other regional health authorities, Saskatoon RHA relies on information technology systems and data to provide patient care. The primary function of a disaster recovery plan (DRP) is to restore information technology (IT) services after a major disaster or interruption.

Saskatoon RHA does not have a complete DRP that identifies how to restore its IT systems and data in the event of a catastrophic event. Once Saskatoon RHA has developed a complete plan, it needs to test the plan to assess its effectiveness. Without a complete and tested disaster recovery plan, Saskatoon RHA remains at risk that it may not be able to restore service to IT system users in case of a major interruption.

eHealth Saskatchewan[1] (eHealth) has a close working relationship with Saskatoon RHA and provides it some IT services. To have a robust disaster recovery plan, Saskatoon RHA must ensure that its service provider, eHealth, also has an effective plan. Accordingly, the adequacy of Saskatoon RHA's recovery plan very much depends on the adequacy of the recovery plan of eHealth (see Chapter 6).

## 3.2 Capital Equipment Planning

We recommended that all regional health authorities should prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector. (2001 Fall Report – Volume 2; Public Accounts Committee agreement February 19, 2002)

**Status** – We continue to make this recommendation.

Regional health authorities make extensive use of capital equipment to meet their strategic goals and objectives. Capital equipment plans help to reduce the risk that capital assets are not in good working order when required or are not being effectively used. For example, capital equipment plans reduce risks from deteriorating equipment, idle capital assets, unsafe equipment, breakdowns, and unplanned maintenance costs.

A capital equipment plan should describe:

- The capital equipment required to support strategic objectives
- The gap between required and existing capital equipment

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[1] A Treasury Board Crown corporation previously known as the Saskatchewan Health Information Network.

- The strategies to manage capital equipment
- The justification for capital equipment strategies
- The financial implications of capital equipment strategies

Saskatoon RHA indicated that in 2012 it established plans to develop a long-term integrated capital plan for equipment, facility infrastructure and information technology. It is expecting to develop such a plan in 2012-13.

Management indicated that Saskatoon RHA uses the funds it receives from the Ministry of Health for capital equipment to replace the equipment that has failed or is close to failing.

## 4.0 SELECTION OF SITE FOR CHILDREN'S HOSPITAL OF SASKATCHEWAN

In 2011, the Ministry of Health provided Saskatoon RHA with $200 million for construction of a new Children's Hospital in Saskatoon. The Ministry did not give Saskatoon RHA direction regarding the location of the new hospital.

Saskatoon RHA has selected a site adjacent to the Royal University Hospital (RUH) for the Children's Hospital.

We examined the reasonableness of the processes Saskatoon RHA used to select the location of the new Hospital. Lack of transparent processes to select the design and location of a new hospital increases the risk that the public and healthcare staff may not use the facility as expected and/or the facility may need expensive corrective alterations in the future.

### 4.1 Background

For many years, the Saskatoon RHA has had three hospitals located in Saskatoon. St Paul's Hospital is an acute care general hospital with 24 hour emergency services. Royal University Hospital (RUH) provides trauma services, tertiary care services, and pediatric and obstetric services. Saskatoon City Hospital provides ambulatory care, day surgery, and complex medical care.

In 2007, the Government decided that a children's hospital should be built in the Saskatoon Health Region to provide maternal and pediatric services for all of Saskatchewan. At that time, the Government mandated Saskatoon RHA to recommend the location of the new hospital. Saskatoon RHA recommended RUH as a preferred site in 2007 and began planning the new hospital's functional program (i.e., what services the hospital would provide). This planning involved the University of Saskatchewan, the Ministry of Health, regional staff, and physicians. Saskatoon RHA submitted the functional program to the Government.

In 2009-10, the Government announced the building of the Children's Hospital of Saskatchewan (CHS) in the Saskatoon health region.

## 4.2 What We Expected

We expected that to make its site selection decision, Saskatoon RHA would have:

- Sought input from the public and physicians about the location of the new hospital before construction
- Established criteria for evaluating all options
- Used independent professionals to help evaluate options (e.g., determine costs, environmental impact, etc.)
- Documented consideration of alternative options for site and design and made them public
- Allowed the public to comment and considered public feedback
- Made public its final decision relating to the location of CHS, providing reasons for its selection

## 4.3 What We Found

To obtain input from the public and physicians about the location of the new hospital, in February 2010 Saskatoon RHA formed the "Validation Committee" (Committee) to consider Saskatoon RHA's earlier preference for the CHS site. The Committee included representatives from the public, regional physicians, regional staff, Saskatoon RHA's Board of Directors, the Ministry of Health, University of Saskatchewan, as well as the President and CEO of Saskatoon RHA. An independent architect and a professional project manager helped in the Committee's deliberations.

While the Committee's composition appears to be diverse and sound, we do not know what processes Saskatoon RHA used to select and appoint representatives to the Committee.

The Committee set up a website to keep the public informed. The website was regularly updated as the Committee made progress towards its final recommendation.

The Committee's task was to analyze (using the criteria in **Figure 1**) both the costs and the benefits associated with each of the following four options for the CHS:

- Renovate existing Saskatoon City Hospital
- Construct a new space and use some existing space at Saskatoon City Hospital
- Construct all new space at Saskatoon City Hospital
- Construct a new space adjacent to Royal University Hospital

**Figure 1—Validation Criteria**

- Impact on safety and quality of patient care as determined by the approved collocation [analysis] report
- Improving the patient/family experience
- Relative capital costs
- Incremental operating costs
- Impact and fit with other relevant capital plans (e.g., City of Saskatoon, University of Saskatchewan, [Saskatoon] Cancer Centre)
- Impact on teaching and research
- Implication for location and relocation of other clinics & clinical support services and staff
- Impact on services alignment model and Saskatoon Health Region's ability to accommodate future population changes and health care needs for the next ten years
- Shortest time to occupancy
- Infrastructure consideration and impacts

Source: Saskatoon Health Region. Children's Hospital of Saskatchewan: Fact sheet. (June 9, 2010)
http://www.saskatoonhealthregion.ca/about_us/documents/CHS-site-validation_fact_sheet_June2010.pdf

Members of the Committee considered the relevance of the criteria, agreed upon the scoring weight for each criterion and made this information public.

The Committee extensively used independent professionals to determine operating costs and benefits for each alternative option and the related impact on teaching and research activities. In addition, an independent architect was involved to give advice on structural and architectural issues relating to relocation of clinics and clinical support staff.

Except for a lack of a transparent process to select members of the Validation Committee, the process Saskatoon RHA used to select the site for the new CHS was reasonable.

Using a transparent process to select members of a decision-making committee like the "Validation Committee" can help ensure that differing opinions and alternatives can be heard and responded to prior to the final decision. Also, a transparent process to select committee members is helpful to obtain broader acceptance of a committee's decision.

1. **We recommend that Saskatoon Regional Health Authority establish a transparent process to select stakeholder representation on advisory committees and make that process public.**

# Chapter 24
# Social Services

## 1.0 MAIN POINTS

In this chapter, we report that the Ministry of Social Services' (Ministry's) special purpose funds had reliable 2012 financial statements. Also, the Ministry complied with authorities governing its activities and it had effective rules and procedures to safeguard public resources except it needs to improve its processes in the following areas.

The Ministry provided capital funds to a community-based organization (CBO) for the construction of a proposed foster home without thoroughly performing and documenting all necessary steps and decisions. The Ministry gave money to the CBO without ensuring that the CBO could provide the intended services. As a result, the Ministry lost public money totalling $416,610. The Ministry should improve its due diligence and documentation in the future.

Also, the Ministry did not record all payments to the CBO in its financial records. The Ministry needs to provide guidance to staff to ensure all transactions are recorded properly in the Ministry's financial records.

The Ministry must follow its processes to ensure all children who are the responsibility of the Minister receive proper care and protection. The Ministry needs to monitor quality assurance results, establish increasing and achievable targets for compliance with child protection standards, and work to achieve those targets. The Ministry also needs to continue to work with the First Nation Child and Family Services agencies to receive all of the information it needs to monitor the well-being of children in care. The Ministry should align frequency of reviews at the First Nation Child and Family Services agencies with the frequency of reviews conducted in its own service areas so that all children are afforded the same level of care.

The Ministry needs to improve its processes to ensure only eligible individuals receive social assistance and that they receive the correct amount of assistance. To help it do so, the Ministry should provide training and guidance to its employees so they understand the established policies and the reasons for those policies.

The Ministry also needs to perform timely reviews on all the performance information submitted by the CBOs to assess if they are achieving the Ministry's operational objectives. Also, it needs to sign an adequate agreement with the Information Technology Office (ITO), monitor the effectiveness of ITO's security, and complete the Ministry's business continuity planning and testing.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 2.0 INTRODUCTION

The mandate of the Ministry of Social Services (Ministry) is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. The Ministry assists citizens in their efforts through income support, child and family services, services for persons with disabilities, development of affordable housing, and by building greater capacity in community-based organizations.[1]

## 2.1 Financial Overview

The Ministry received $795.7 million from the General Revenue Fund to deliver its programs and had revenues of $24.9 million.[2] Information about the Ministry's revenues and expenses appears in its annual report (see www.socialservices.gov.sk.ca)

**Figure 1—Major Programs and Spending**

| Programs | Estimates 2011-12 | Actual 2011-12 |
|---|---|---|
| | (in millions of dollars) | |
| Central Management and Services | $ 41.7 | $ 46.7 |
| Income Assistance and Disability Services | 553.8 | 524.2 |
| Child and Family Services | 197.8 | 186.9 |
| Client Support | 16.9 | 23.2 |
| Housing | 12.8 | 14.7 |
| **Total Appropriation** | 823.0 | 795.7 |
| Capital Asset Acquisitions | (10.7) | (9.1) |
| Capital Asset Amortization | 1.9 | 0.7 |
| **Total Expense** | $ 814.2 | $ 787.3 |

Source: Ministry of Social Services *2011-12 Annual Report*, p. 38.

## 2.2 Special Purpose Funds and Crown Agency

The Ministry is responsible for the following special purpose funds (funds) and Crown agency:

| | Year-end |
|---|---|
| Social Services Central Trust Account | March 31 |
| Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund | March 31 |
| Social Services Valley View Centre Residents' Trust Account | March 31 |
| Saskatchewan Housing Corporation | December 31 |

We reported the results of our audit of the Saskatchewan Housing Corporation for the year ended December 31, 2011 in our 2012 Report – Volume 1.

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[1] Ministry of Social Services *2011-12 Annual Report*, p. 6.

[2] ibid. p. 38.

## 3.0 Audit Conclusions, Scope and Findings

**In our opinion, for the year ended March 31, 2012:**

- **The Ministry and its funds had effective rules and procedures to safeguard public resources except for the matters described in this chapter**

- **The Ministry and its funds complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter**

  *The Child and Family Services Act*
  *The Child and Family Services Regulations*
  *The Child Care Act*
  *The Child Care Regulations, 2001*
  *The Department of Social Services Act*
  *The Social Services Rehabilitation Institutional Collective Benefit Funds and Trust Account Regulations*
  *The Department of Social Services Central Trust Account Regulations*
  *The Rehabilitation Act*
  *The Saskatchewan Rehabilitation (Mentally Retarded Persons) Regulations*
  *The Vocational Rehabilitation Regulations*
  *The Residential Services Act*
  *The Private-service Homes Regulations*
  *The Residential-service Facilities Regulations*
  *The Saskatchewan Assistance Act*
  *The Benefit Adjustment Regulations*
  *The Disability Housing Supplement Regulations*
  *The Employment Supplement Regulations*
  *The Rental Housing Supplement Regulations*
  *The Saskatchewan Assistance Regulations*
  *The Transitional Employment Allowance Regulations, 2005*
  *The Saskatchewan Income Plan Act*
  *The Senior Income Plan Regulations*
  *The Government Organization Act*
  *The Ministry of Social Services Regulations, 2007*
  Orders in Council issued pursuant to the above legislation

- **The financial statements of the funds are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Ministry's controls. The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives.

We examined significant programs of the Ministry including child welfare, income support for low income families, seniors and people with disabilities, social assistance for people out of work, housing, and services to support families and people with disabilities.

To assess the Ministry's controls to protect children in care, we examined various files, reports, and documents in the Ministry's offices and had discussions with senior officials. Our work did not include directly examining files of children the Ministry placed in out-of-home care on reserves.

We report our findings under five headings: loss of public money, protection of children, income assistance programs, supervision of community-based organizations, and corporate services.

## 4.0 LOSS OF PUBLIC MONEY–CONSTRUCTION OF A PROPOSED FOSTER HOME

*The Provincial Auditor Act* requires us to report any losses to the Crown due to fraud, default or mistake of any person. We report that the Ministry lost public money totalling $416,610.

We examined the circumstances under which this money was paid. We describe below our findings. We based our findings on correspondence and interviews with Ministry officials.

In 2009, a community-based organization (CBO) approached the Ministry proposing to provide a residential group care program designed to assist children needing care under *The Child and Family Services Act*. On September 14, 2009, the Ministry signed a service contract with the CBO and agreed to provide approximately $345,000 to help assist with the construction and startup costs of the new residential facility. On September 24, 2009, the Ministry paid a one-time capital funding grant of $344,250 to the CBO. The Ministry did not ensure that the CBO had obtained proper zoning permission from the local municipality for construction and operation of a foster care home for children. There is no documented evidence that due diligence was conducted by Ministry officials before the funds were released.

Documents that we examined show that the CBO had made an application for local zoning stating clearly "new home construction" under the proposed development column. The municipality granted the zoning indicating, ***"Approved for home construction only, not for foster care facility"***.

Had the Ministry reviewed the necessary zoning document before releasing the funds, it would have become aware of the zoning issues with the municipality. Management told us that the municipality had informed the Ministry officials verbally that the municipality would grant necessary zoning for operating a group foster home on the site. We have not been provided with documented evidence corroborating this assertion.

On February 12, 2010, the municipality informed the Ministry that:

- The land in question was not zoned for a group home
- The municipality granted the development permit based on the developer's representation that the use of the building would be in accordance with the zoning bylaws
- The current zoning bylaws did not permit the use of land for operating a group home

During 2010-11, the Ministry also erroneously paid a $92,160 operating grant to the CBO. In June 2010, the Ministry wrote the CBO asking it to return the amount as the Ministry had paid this money in error. However, the Ministry did not record this amount as receivable in its accounting records. So far, the Ministry has recovered only $29,000 of the amount paid.

In April 2011, the Ministry paid an additional $9,200 to the CBO to cover the costs relating to the CBO's mortgage, utilities, and vehicle loans for the period April 1, 2011 to

May 31, 2011. We understand the Ministry was attempting to assist the CBO in avoiding foreclosure by a financial institution.

In early 2012, we asked the Ministry for copies of its communications with this CBO. The Ministry provided us with files containing copies of emails, letters, contracts, and notes. However, the files were incomplete and not in chronological order. We held meetings and discussions with Ministry officials to gather information that was often not available on paper. Lack of complete and up-to-date correspondence with external parties increases the risk of errors and incorrect decisions that could result in monetary losses or legal challenges.

Management stated that the Ministry has recently reorganized its operations and now keeps centralized contract files that systematically maintain correspondence on all projects.

Management told us on October 29, 2012, that the financial institution has foreclosed on the property and the property has been sold. The Ministry does not expect to collect any money that was given to the CBO for capital and startup costs. Management also told us that the CBO no longer exists. The Ministry cannot collect the money for payment in error or the money paid to avoid foreclosure. Accordingly, the Ministry paid $416,610 as below and received northing in return.

| | |
|---|---|
| Capital and startup costs | $ 344,250 |
| Payment in error net of recovery ($92,160-29,000) | 63,160 |
| Additional–mortgage and utilities | 9,200 |
| Total | $ 416,610 |

1. **We recommend that the Ministry of Social Services establish a process to perform and document all necessary due diligence before making payments for capital projects to external parties.**

2. **We recommend that the Ministry of Social Services maintain complete and up-to-date information for all capital projects with external parties.**

3. **We recommend that the Ministry of Social Services provide guidance to staff to ensure all transactions are recorded properly in the Ministry's financial records.**

## 5.0 PROTECTION OF CHILDREN

### 5.1 Background

*The Child and Family Services Act* requires the Minister of Social Services to intervene on a child's behalf if the child is in need of protection due to physical, sexual, or emotional abuse or neglect. The Ministry has services designed to protect children from abuse or neglect, support families and communities in caring for children, assist people facing family violence, and assist families to adopt children under *The Adoption Act*.

The Ministry provides care for children requiring protection and out-of-home care. Children placed in out-of-home care can be either wards or non-wards.

The Minister assumes legal responsibility for wards and acts as a parent with the rights and obligations of a parent. Non-wards are those children that the Minister helps to support without having legal custody of the child. A non-ward is a child that the courts may place in the custody of a person of sufficient interest[3] rather than with the Minister.

Also, the Ministry has delegated authority to 17 First Nation Child and Family Services agencies (First Nation agencies) to care for children who are wards of the Minister and reside on reserves.[4] Under the law, First Nation agencies can obtain custody of a child on behalf of the Minister in one of the following ways:

- Using the Minister's powers specified in agreements, obtain either a court order for a child apprehended on reserve or accept a child whose parent(s) voluntarily place the child in the First Nation agency's care
- Accept transfer of First Nation children from the Ministry that were apprehended off reserve when the Ministry considers the transfer desirable

To obtain custody of a child in need of protection, First Nation agencies use the Minister's powers specified in agreements to approach a court of law to seek custody of the child. When the court is satisfied that the child needs protection and there is no person of sufficient interest, it grants custody to the Minister and the child becomes a ward of the Minister. However, the child remains in the care of the First Nation agency.

For children who are wards of the Minister, the Ministry continues to be responsible for ensuring those children receive appropriate care whether on or off reserve.

At March 31, 2012, the Ministry reported it had 5,714 children in out-of-home care. Of those children, 1,627 children were non-wards and 4,087 children were wards of the Minister. Of those children who were wards of the Minister, the Ministry's staff (caseworkers) cared for 73% of the children and First Nation agencies cared for 27% of the children. **Figure 2** shows a breakdown of the number of children in out-of-home care.

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[3] A person of sufficient interest is a person who is not a parent of the child but who, in the opinion of the court, has a close connection to the child, and in the case of a Status Indian child, is Chief of the Indian Band or his or her designate.

[4] First Nation agencies are not-for-profit community-based organizations that individual First Nations establish to carry out child and family service programs on related First Nation reserves. In 2011-12, one First Nation agency closed, reducing the total number of First Nation agencies to 17.

**Figure 2—Children in Care**

| Fiscal Year End | Non-wards Living in Out-of-Home Care | Children in Care On Reserve | Children in Care Off Reserve | Total Children in Out-of-Home Care |
|---|---|---|---|---|
| March 31, 2009 | 1,297 | 1,206 | 3,593 | 6,096 |
| March 31, 2010 | 1,428 | 1,176 | 3,348 | 5,952 |
| March 31, 2011 | 1,538 | 1,124 | 3,217 | 5,879 |
| March 31, 2012 | 1,627 | 1,123[5] | 2,964 | 5,714 |

Source for March 31, 2009 to March 31, 2011: Ministry of Social Services *2010-11 Annual Report*, p. 22. Source for March 31, 2012: Ministry of Social Services *Child and Family services statistics as at March 31, 2012* located at www.socialservices.gov.sk.ca/children-first

The Ministry has established rules and procedures (standards) to protect children in out-of-home care. The Ministry's standards apply to all children, including those who are in the care of First Nation agencies.

The standards set out detailed processes for providing appropriate out-of-home care. For example, standards state how often caseworkers must meet with foster parents and children and define requirements for child development plans. The standards also set out approval requirements for foster homes caring for more than four children. In addition, the standards provide guidelines on how to assess potential new foster parents (including obtaining reference and criminal record checks).

Notwithstanding the location of the foster homes (off reserve or on reserve), the Ministry requires that each child must have an assigned caseworker. The Ministry has established standards setting out qualifications and requirements for reference and criminal record checks to hire such caseworkers. Management stated that the Ministry approves the hiring of all caseworkers on and off reserve.

## 5.2 Need Better Compliance with Protection Standards for Children in Out-of-Home Care

We recommended that the Ministry of Social Services follow its processes to ensure that children in care are protected and the payments to custodians are authorized. (2003 Report – Volume 3; Public Accounts Committee agreement September 28, 2004)

**Status** – We continue to make this recommendation. The Ministry's compliance with its own standards needs improvement.

The Ministry has adequate processes to ensure payments to custodians are authorized.

To help improve compliance with its standards to protect children in out-of-home care, the Ministry established a quality assurance process in 2009. The Ministry's quality assurance group monitors compliance with the established child protection standards. The quality assurance group reports to a senior official of the Ministry.

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[5] The number of children in care on reserve for all First Nation agencies was provided to the Ministry by Aboriginal Affairs and Northern Development Canada.

The quality assurance group monitors compliance with child protection standards both on and off reserves. The group assesses how well Ministry staff and First Nation agencies comply with the Ministry's child protection standards. The group assesses compliance of the Ministry's service areas[6] every year. The agreements with First Nation agencies require assessments to be done once every three years.

The Ministry has staff specifically dedicated to work with First Nation agencies to resolve any issues the quality assurance group identifies. It requires staff and First Nation agencies to prepare written plans to address the issues identified. The Ministry also has processes to work with care providers on reserves to improve compliance with the established child protection standards. For example, Ministry officials provide training to caseworkers on reserves and regularly meet with them to help resolve any issues they may face.

During 2011-12, the Ministry carried out its reviews of the three service areas and nine First Nation agencies (eight were completed in 2010-11). We reviewed the Ministry's quality assurance reports for two service areas and nine First Nation agencies. The Ministry is currently in the process of finalizing the quality assurance report for the third service area.

In October 2011, the Ministry developed and rolled out a new system called The Structured Decision Making (SDM) model for child protective services. SDM provides policies, procedures, guidelines, and assessment tools to help caseworkers identify critical decision points and to target resources to families at highest risk. It includes checklists and sets out requirements for completing assessments. These assessments require, for example, assessing the likelihood of any current threats to a child's well-being and the interventions needed to protect the child or the likelihood of future maltreatment of a child and how to prevent it. SDM also sets out the minimum service levels and contact guidelines based on the risk levels assessed. For example, if the assessed risk level is high or very high it requires three to four face-to-face visits per month (including at least one visit per month unannounced). The Ministry now uses SDM in its own service areas. However, First Nation agencies do not use SDM yet. Two First Nation agencies volunteered to pilot the SDM model and other First Nation agencies have expressed interest. Next year, we will examine how well the Ministry complies with its new policies and procedures in this area.

The Ministry has set numerous standards to protect children in out-of-home care and has assessed the level of compliance with those standards. However, the Ministry has not yet achieved an acceptable level of compliance with established standards both at First Nation agencies and in its own service areas. **Figure 3** sets out the average compliance rates with various standards that the Ministry found during its quality assurance reviews.

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[6] The Ministry has divided the province into three service areas, i.e., South, Centre, and North.

**Figure 3—Examples of Compliance with Child Protection Standards**

| Child Protection Standard | First Nation Agencies | Service Areas |
|---|---|---|
| Maintaining current child development plans every 120 days | 26% | 83% |
| Having contact with the child within the first two days of placement | 21% | 59% |
| Completing home safety checks | 64% | 62% |
| Completing criminal record checks at the time of homestudy | 64% | 87% |
| Reviewing foster homes on an annual basis | 56%[7] | 56% |
| Reviewing and approving foster homes when placing more than four children in the foster home | 92%[7] | 100% |

The quality assurance reports require First Nation agencies and service areas to include a response and action plan for addressing the findings and recommendations. The quality assurance process, along with the new SDM model that includes risk assessments, should help the Ministry more consistently and effectively protect children in care. However, the Ministry now needs to establish increasing and achievable targets for the level of compliance with the standards in its own service areas and for First Nation agencies.

4. **We recommend the Ministry of Social Services monitor quality assurance results, establish increasing and achievable targets for compliance with child protection standards in its own service areas and at First Nation Child and Family Services agencies, and work to achieve those targets.**

## 5.3 Agreements with First Nation Agencies Needed for Caring for Children Residing on Reserves

We recommended that the Ministry of Social Services make agreements with First Nation Child and Family Services agencies to require timely and relevant information to ensure proper care for children who are wards of the Minister. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation. The Saskatoon Tribal Council and the Yorkton Tribal Council do not have revised signed agreements.

Under Section 61 of *The Child and Family Services Act*, the Ministry initially signed agreements with all of the 17 First Nation agencies to provide childcare services to children residing on reserves on the Ministry's behalf. In our past reports, we stated that those agreements were not adequate because the agreements did not require First

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[7] This is the result of the Ministry's review of eight First Nation agencies because the Ministry did not receive complete information from one First Nation agency.

Nation agencies to provide timely and relevant information to ensure proper care for wards of the Minister.

The Ministry has now signed revised agreements with 15 of the 17 First Nation agencies. The updated agreements require First Nation agencies to provide the Ministry with information on agency staff, foster homes, and the well-being of children in care. For example, the agreements require First Nation agencies to provide a listing of children in care, including a description of the court order in place regarding the child and basic information such as how long the child has been in care.

The remaining two First Nation agencies refuse to sign the new agreement. The Ministry is continuing to work with these agencies to obtain the information that would be required under the new agreement. Although it has not signed a revised agreement, the Yorkton Tribal Council has agreed to work with the Ministry on the outstanding matters relating to the reporting and accountability provisions and currently provides monthly reports on children in care. The other agency, the Saskatoon Tribal Council, has also not signed the revised agreement and still does not provide the information the Ministry receives from the 16 other First Nation agencies, including a listing of children in care. We encourage the Ministry to finalize agreements and to continue working with the Saskatoon Tribal Council to receive timely and relevant information consistent with what it receives from other First Nation agencies.

The Ministry now receives monthly reports on children in care from 16 of the 17 First Nation agencies. Monthly reports include information such as the child's name, admission date, type of care, etc. The Ministry continues to work with the one remaining agency, Saskatoon Tribal Council, to receive this information. During 2011-12 we found that the Ministry received these reports from First Nation agencies on a more timely basis than the previous year. The Ministry received about 77% (2010-11: 53%) of these reports within 90 days of the month-end.

## 5.4 Tracking of Children in Care On and Off Reserves Needed

We recommended that the Ministry of Social Services implement a system to know how many children are the Minister's responsibilities, who they are, and where they live. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

In 2011-12, the Ministry used its new broad-based technology system (LINKIN) to assist in monitoring and tracking children. For children in care off reserve, the Ministry tracks them by foster home. For children in care on reserve, the Ministry tracks them by each First Nation agency. If the Ministry requires more information on a child (i.e., the foster home of a child), the Ministry staff contacts each First Nation agency to get more detailed information.

However, as noted earlier, the Ministry does not receive monthly reports on children in care for one First Nation agency, Saskatoon Tribal Council. We encourage the Ministry to continue working with this agency to obtain timely and relevant information to monitor the well-being of children in care.

## 5.5 Non-Compliance with Ministry Standards

We recommended that the Ministry of Social Services adequately monitor the First Nation Child and Family Services agencies' compliance with the Ministry's standards for approval of out-of-home care providers. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

The Ministry, through the quality assurance group, continues to make good progress in this area. During the year, the Ministry completed its reviews of the remaining nine First Nation agencies (eight were completed in 2010-11). The results show that those agencies had varying levels of compliance with established standards. While some agencies had good compliance with some standards, others had poor compliance. For example, on an overall basis, the nine agencies completed criminal record checks in 64% (2010-11: 61%) of the foster homes and other care providers reviewed. As we highlighted in Section 5.2, the Ministry now needs to establish targets for levels of compliance with the standards and work towards achieving those targets.

Issues of non-compliance identified in the quality control group's assessments are starting to be addressed under the new process. The new process requires the Ministry's staff and First Nation agencies to prepare written plans to address the issues identified.

As we noted earlier, during the year the Ministry developed and implemented a new model called SDM. SDM provides policies, procedures, guidelines, and assessment tools to help caseworkers to identify critical decision points and to target resources to families at highest risk. It also sets out face-to-face contact guidelines based on the assessed level of risk. Two First Nation agencies volunteered to pilot the SDM model and other First Nation agencies have expressed interest.

While the quality assurance processes and the new policy and procedures are positive steps, the Ministry needs to complete its review of First Nation agencies on a timely basis. We found that Ministry staff can take up to a year to finalize reports.

5. **We recommend that the Ministry of Social Services finalize reports of its quality control assessments of First Nations Child and Family Services agencies on a timely basis.**

## 5.6 Process to Review All Child Protection Files Needed

We recommended that the Ministry of Social Services seek regular personal contact with children who are wards of the Minister and regularly review the First Nation Child and Family Services agencies' child protection files. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

The Ministry's quality assurance group visits each First Nation agency and examines its case management practices and compliance with established child protection standards. For example, the quality assurance group would assess if caseworkers maintained regular personal (face-to-face) contact with children in care. During the visits, the quality assurance group also reviews the child protection files at the First Nation agencies. The Ministry then requires its staff and First Nation agencies to prepare written plans to address the issues the quality assurance group identifies. Although the quality assurance group's formal assessment is required once every three years, the Ministry's staff specifically dedicated to work with First Nation agencies meet with caseworkers frequently based on the risks assessed under the new SDM system. Under the SDM system, the Ministry could examine those agencies that have the most significant challenges more often.

During the quality assurance reviews, the Ministry had access to all child care files and other resource files (e.g., foster care home files) for all First Nation agencies except for the Saskatoon Tribal Council. The Ministry was only able to review the child care files of the children who were transferred from the Ministry to the Saskatoon Tribal Council. The quality assurance group was unable to review other child care files, family service files, or resource files.

## 5.7 Monitoring of Compliance with Child Protection Standards Not Uniform

As highlighted in Section 5.2, the quality assurance group monitors compliance with child protection standards both on and off reserves. However, the timing of the reviews is not consistent between the Ministry's own service areas and the First Nation agencies. The Ministry conducts reviews in its own service areas once a year. It only conducts reviews at the First Nation agencies once every three years, as required by the agreements. To ensure equality of safety for all children both on and off reserves, the Ministry should also conduct annual reviews at the First Nation agencies.

The agreements with First Nation agencies are coming up for renewal. The Ministry should consider revising the agreements to require reviews to be conducted annually so that all children are afforded the same level of care.

6. **We recommend that the Ministry of Social Services conduct reviews to monitor compliance with child protection standards at First Nation Child and Family Services agencies as often as it does for its own service areas.**

## 6.0 INCOME ASSISTANCE PROGRAMS

In this section, we report on the Ministry's management of various income assistance programs.

## 6.1 Social Assistance Payments

In the year ended March 31, 2012, the Ministry made payments totalling $255.8 million to social assistance clients.

A client's need for food, clothing, and shelter may require an immediate payment that day, or within a few days.[8] In such cases, the Ministry must later verify the client's eligibility for assistance and the amount that was required. The Ministry has established detailed policies and procedures that set out how the Ministry's employees should calculate, verify, and authorize payments to social assistance clients.

We recommended that the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance. (2000 Report – Volume 3; Public Accounts Committee agreement June 6, 2001)

**Status** – We continue to make this recommendation.

We have reported for many years that the Ministry's employees do not consistently follow established policies and procedures. Non-compliance with policies could result in financial loss.

We found that Ministry employees did not consistently assess assistance recipients' employability or financial needs. The lack of compliance with Ministry policies could result in some recipients receiving incorrect amounts of assistance. The Ministry needs to follow its policies and procedures to ensure only appropriate recipients receive the correct amount of social assistance.

We also found instances where the assistance payments did not have proper approval. In some instances assistance payments were not approved in accordance with policy and in some other cases the payments were approved by individuals who did not have authority for such approval.

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[8] A person who seeks social assistance is called a client.

## 6.2 Employment and Rental Housing Supplement Payments Accurate

The Saskatchewan Employment Supplement (SES) and Saskatchewan Family Rental Housing Supplement (RHS) programs help support low-income working parents. SES helps parents with child related costs of working (e.g., childcare). The Ministry pays RHS to eligible working parents with low income to promote access to safe and affordable housing.

In the year ended March 31, 2012, the Ministry paid approximately $47 million in total for both programs. On average, 5,985 and 5,524[9] families received monthly payments from the SES and RHS programs, respectively. Some low-income families are eligible to receive both supplements at the same time.

Applicants (clients) inform the Ministry about their employment income, family composition, and rental information when they apply for assistance under SES and RHS, and monthly thereafter. These factors affect the amount of assistance a client is eligible to receive on a monthly basis.

We recommended that the Ministry of Social Services ensure that only eligible persons receive the correct amount of Saskatchewan Employment Supplement. (2005 Report – Volume 3; Public Accounts Committee agreement October 5, 2008)

**Status** – Implemented.

We recommended that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Family Rental Housing Supplement assistance and that they receive the correct amount of Saskatchewan Rental Housing Supplement assistance. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – Implemented.

Due to the nature of the programs, overpayments to clients may occur. Therefore, the Ministry set a target error rate of 4%. The Ministry audited SES and RHS clients to assess eligibility and verify the accuracy of amounts paid. Each month, the Ministry audits benefits paid to approximately 150 SES/RHS clients. These audits require clients to provide the Ministry with documented support of their monthly income (e.g., pay stubs). Most clients provide the necessary information, but some do not. Because the amount of a client family's monthly income determines the level of monthly SES and RHS assistance, incorrect income information or lack of such information increases the risk of incorrect monthly assistance.

Based on its audit results, the Ministry estimates that 4.18% of clients who received payments were not entitled to the amounts they received. Our test of the Ministry's client files resulted in similar findings. The Ministry has continued to reduce its error rate for SES and RHS over the past few years and has substantially met its target error rate of 4%.

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[9] Ministry of Social Services *2011-12 Annual Report*, p. 29 (SES) and p. 12 (RHS).

## 7.0 SUPERVISION OF COMMUNITY-BASED ORGANIZATIONS

Community-based organizations (CBOs) provide programs such as group homes, services to enable people to live in their own homes (who otherwise could not), and youth-at-risk intervention programs. For the year ended March 31, 2012, the Ministry paid $171.2 million to over 200 CBOs that provide services on the Ministry's behalf.

### 7.1 Performance Measures and Targets Needed

We recommended that the Ministry of Social Services work with community-based organizations (CBOs) to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving the Ministry's operational objectives. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – We continue to make this recommendation.

The Ministry revised its CBO agreements to include program objectives and outcomes. However, the agreements do not include performance measures and targets. Performance measures and targets would allow the Ministry to assess CBO performance (e.g., whether money paid to CBOs achieved the results the Ministry has intended).

### 7.2 Review Needed of Performance Information Submitted

We recommended that the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – We continue to make this recommendation.

The Ministry requires CBOs to submit operational reports that describe services and activities. It also requires CBOs to provide the Ministry with quarterly and annual financial reports. The service agreements specify what the Ministry must receive and when.

We found the Ministry did not always receive the required reports from some CBOs. Also, the Ministry received the required reports from some CBOs late. The Ministry needs to ensure CBOs comply with reporting requirements.

The Ministry did not complete timely reviews on the information submitted by the CBOs. We found that 43% of the reports the CBOs submitted were not reviewed within six months of their receipt.

Lack of timely review of CBOs' performance information increases the risk that the Ministry may not be able to take corrective actions when needed.

## 8.0 CORPORATE SERVICES

This section reports on the management of the corporate and support services of the Ministry.

### 8.1 Better IT Monitoring Needed

We recommended that the Ministry of Social Services monitor the effectiveness of the Information Technology Office's security to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – We continue to make this recommendation.

During 2011-12, the Ministry continued to receive monthly service and user access reports from Information Technology Office (ITO). The reports provided limited information on the security or availability of the Ministry's systems and no information on the adequacy of ITO's controls or how weaknesses at ITO could impact the Ministry's system and data. Without a complete security report, the Ministry does not know if ITO is meeting the Ministry's security and disaster recovery needs.

As in the prior year, the Ministry did not follow its processes for promptly removing user access from individuals who no longer work for the Ministry. For example, 7 out of 10 individuals that we tested did not have their access removed promptly.

Lack of timely removal of access of those who no longer work for the Ministry increases the risk of inappropriate access to the Ministry's systems and data.

### 8.2 Information Technology Plan Complete

We recommended that the Ministry of Social Services establish an adequate information technology plan. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Implemented.

The Ministry developed and approved an adequate information technology plan in January 2012. The plan outlines the Ministry's technology needs and links to its strategic objectives.

## 8.3 Complete Business Continuity Plan Needed

We recommended that the Ministry of Social Services sign an adequate agreement with the Information Technology Office (ITO) that includes network security and disaster recovery requirements. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – We continue to make this recommendation.

The Ministry signed a new memorandum of understanding (MOU) with ITO effective July 2011. The MOU requires ITO to advise the Ministry of all incidents or issues pertaining to the security of Ministry systems and data. The MOU does not specify specific Ministry disaster recovery requirements (e.g., time to restore, testing requirements). Lack of agreed-upon disaster recovery requirements could result in the Ministry's systems and data not being available when needed.

We recommended that the Ministry of Social Services complete its business continuity planning by testing its business continuity plan. (2003 Report – Volume 3; Public Accounts Committee agreement September 28, 2004)

**Status** – We continue to make this recommendation.

The Ministry has a Business Continuity Management Committee. The Ministry is currently identifying the threats and assessing the risks it faces. Once complete, the Ministry plans to update its business continuity plan[10] including appropriate disaster recovery strategies required.

During 2011-12, the Ministry completed disaster recovery testing for some of its critical systems. However, as noted above, the Ministry has not identified its disaster recovery needs to ITO. Therefore, ITO does not perform disaster recovery testing to ensure that the Ministry's critical systems (e.g., LINKIN) can be recovered in a timely way in the event of a disaster. Without an adequate tested disaster recovery plan, the Ministry cannot have a completely tested BCP.

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[10] Business Continuity Plan (BCP)–Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operation of the organization's critical operations and functions including normal operations of computerized systems.

## 9.0 EXHIBITS

### 9.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not discussed earlier in this chapter.

| PAC Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Ministry of Social Services – Saskatchewan Housing Corporation**<br>(2004 Report – Volume 1) | | |
| 2005 | 15-1 that the Saskatchewan Housing Corporation's capital plan should show:<br>- the specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e., performance measures);<br>- the starting point of each measure (i.e., baseline);<br>- what the Corporation expects to achieve with the housing portfolio and by when (i.e., targets). | **Partially implemented**<br>(as of March 31, 2012)<br>See Chapter 25 in our 2012 Report – Volume 1 for a status update. |

# Chapter 25
# Teachers' Dental Plan

## 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Teachers' Dental Plan (Plan) for the year ended June 30, 2012.

The Teachers' Superannuation Commission (Commission) complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the need for adequate support for dental payments.

The Commission had effective rules and procedures to safeguard public resources except the Commission needs to:

- Implement processes to monitor its dental agreement with the insurance provider and have adequate support for dental payments
- Establish guidance for preparing financial reports of the Dental Plan and include these financial statements in its annual report

The Commission has made some progress to address these issues. However, more work remains.

In this chapter, we continue to make four recommendations so legislators and the public receive accurate information about the Plan.

## 2.0 INTRODUCTION

The Commission manages and administers the Plan. The Plan provides Saskatchewan teachers and their dependants with coverage for certain dental services. The Commission uses an insurance company (service provider) to help administer the Plan.

The Ministry of Education pays for all of the dental services provided through the Plan. During 2011-12, the Commission used the $10 million received from the Ministry to pay for over 48,000 dental claims and related administrative costs.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the year ended June 30, 2012:**

- **The Commission had effective rules and procedures to safeguard the Plan's public resources except as reported in this chapter**
- **The Commission complied with the following authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue**

**raising, spending, borrowing, and investing except for the need for adequate support for dental payments:**

*The Teachers' Dental Plan Act*
Orders in Council pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Plan's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

## 3.1 Adequate Support for Dental Payments Needed

We recommended that the Teachers' Superannuation Commission have adequate support for dental payments. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status** – We continue to make this recommendation.

In our audit, we found that neither the Commission nor the service provider requires proof of enrollment to a post-secondary institution for dependents when claims are made for dependents between the ages of 21 to 26. The proof of enrollment provides support that payments are made only to eligible recipients. The Commission is working with its service provider to develop and implement a process to identify those dependents between the ages of 21 to 26.

During 2011-12, the Commission continued its development of a system to reconcile the manual dental invoices with the monthly paid report (dental reconciliation process). It plans to use this reconciliation to help it ensure that it obtains support from its service provider for all dental payments made and that payments are made only to eligible teachers. The Commission indicated that it will continue to work with the service provider to address this issue.

## 3.2 Need Processes to Monitor Dental Agreement

We recommended that the Teachers' Superannuation Commission implement adequate processes to establish and monitor its dental agreement with the insurance provider. (2010 Report – Volume 1; Public Accounts Committee agreement January 19, 2011)

**Status** – We continue to make this recommendation.

In 2011-12, the Commission did not implement additional processes to monitor the insurance provider's compliance with the agreement. As reported in our 2012 Report – Volume 1, the Commission plans to update its agreement with the service provider and develop written guidance to formally monitor the service provider's compliance with the agreement after the dental reconciliation process described in Section 3.1 is established.

## 3.3 Need Guidance for Preparing Dental Plan Financial Reports

We recommended the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports. (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

**Status** – We continue to make this recommendation.

As previously reported in our 2012 Report – Volume 1, the Commission plans to complete its written guidance for preparing interim and year-end financial reports once it has finalized the dental reconciliation process described in Section 3.1.

## 3.4 Need Dental Plan Financial Statements

We recommended that the Teachers' Superannuation Commission's annual report include the financial statements of each benefit plan the Commission administers. (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

**Status** – We continue to make this recommendation.

Management intends to prepare the Dental Plan financial statements and include them in the Commission's Annual Report once they have developed and finalized the dental reconciliation process described in Section 3.1. Consistent with prior years, the Commission continued to provide summarized financial information about the Dental Plan's expenses in the Commission's annual report (available at www.stsc.gov.sk.ca).

# Chapter 26
# University of Regina

## 1.0 MAIN POINTS

In this chapter, we report the results of the annual audits of the University of Regina (University), its Pension Plans, and its Master Trust. The University's accountability to the public is strengthened through our Office's reporting of its annual audit results.

The financial statements of the University, its Pension Plans, and its Master Trust for the years ended on or before April 30, 2012 are reliable. The University, its Pension Plans and Master Trust complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The University had effective rules and procedures to safeguard public resources.

## 2.0 INTRODUCTION

In this chapter, we set out our findings from our audits of:

- The University of Regina (University) for the year ended April 30, 2012
- The Pension Plan for the Academic and Administrative Employees of the University of Regina and the University of Regina Non-Academic Pension Plan (Pension Plans) for the year ended December 31, 2011
- The University of Regina Master Trust (Master Trust) for the year ended December 31, 2011

The University provides post-secondary education and conducts research. It is established pursuant to *The University of Regina Act* (Act) as a non-profit educational organization. The purpose of the University is the preservation, transmission, interpretation and enhancement of the cultural, scientific and artistic heritage of the human race, and the acquisition and expansion of new knowledge and understanding.[1]

The University enrolled 12,877 students for the year ended April 30, 2012[2] and employed 2,838 faculty and staff. The University is organized into 35 different faculties and departments.[3]

In its annual report for the year ended April 30, 2012, the University reported revenues of $228 million and expenses of $292 million. The University's main sources of revenue are grants and contracts from the Government of Saskatchewan and student fees, comprising 47% and 23% of all revenues respectively. Salaries and benefits represent 70% of the University's expenses. At April 30, 2012, the University had $221 million invested in capital assets.

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[1] *University of Regina Annual Report 2011-12*, p. 25. www.uregina.ca/orp/AnnualReport/Annual_Report_2011-12.pdf.
[2] Ibid., p. 6.
[3] *Campus Facts 2011-12*. www.uregina.ca/orp/FactBrochure/Facts_Brochure_2012.pdf.

The University has established two pension plans for its employees. The Pension Plans and the Master Trust are administered by management of the University.

The University of Regina Non-Academic Pension Plan is a defined benefit plan. For the year ended December 31, 2011, this plan had net assets available for benefits of $64 million, pension obligations of $67 million, and a deficit of $3 million.

The Pension Plan for the Academic and Administrative Employees of the University of Regina has both defined benefit and defined contribution components. For the year ended December 31, 2011, the defined benefit component had net assets available for benefits of $203 million, pension obligations of $192 million, and a surplus of $11 million. The defined contribution component had net assets available for benefits of $67 million.

The Master Trust is a fund established by the University to hold some of its pension plans' investments. For the year ended December 31, 2011, the trust held assets of $270 million.

## 3.0 AUDIT CONCLUSIONS, SCOPE AND FINDINGS

**In our opinion, for the years ended on or before April 30, 2012:**

- **The University of Regina, the Pension Plans, and the Master Trust had effective rules and procedures to safeguard public resources**

- **The University of Regina, the Pension Plans, and the Master Trust complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The University of Regina Act*
  *The Post-Secondary Education and Skills Training Act* (section 18)
  *The Tabling of Documents Act, 1991*
  *The Financial Administration Act, 1993* (section 38)
  *The Pension Benefits Act, 1992*
  *The Pension Benefits Regulations, 1993*
  *Income Tax Act* (Canada) (sections 147.1, 147.2 and 147.3)
  *Income Tax Regulations* (Canada) (sections 8501-8520)
  *Pension Benefits Standards Regulations, 1985* (Canada)
  Orders in Council issued pursuant to the above legislation

- **The University of Regina, the Pension Plans, and the Master Trust had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the University's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing the University's rules and procedures to safeguard public resources included evaluating the University's processes for recording revenues, tendering and awarding contracts, and purchasing goods and services.

# Performance and Information Technology Audits

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# Chapter 27
# Control over Offender Information and Release Dates

## 1.0 MAIN POINTS

The Ministry of Justice (Justice) uses the Corrections Management Information System (CMIS) to track and manage offenders in provincial correctional facilities and in the communities. Provincial correctional facilities are used to hold offenders sentenced to periods in prison of less than two years and remanded offenders. This chapter describes our audit of Justice's controls to maintain its integrity of offender data in CMIS. Justice relies on offender information in CMIS being accurate and complete to ensure the safety of both the offenders and those charged with their care. CMIS is also used for allowing offenders to exit correctional facilities. If this information is not correct, offenders may be released from jail at incorrect times.

For the period January 1, 2012 to August 31, 2012, we found Justice did not have effective controls for maintaining the integrity of offender data in CMIS. The Ministry had not established security requirements for CMIS data, did not remove unnecessary user access to CMIS on a timely basis, and did not have all staff that access CMIS data sign confidentiality agreements. As a result, an unauthorized person could obtain confidential offender information or inappropriately modify offender data. Justice should also have processes to review the accuracy of all CMIS data entry and approve a risk-based plan for verifying that CMIS data is accurate. These process improvements are needed to mitigate the release of offenders from correctional facilities at the wrong time.

As of May 25, 2012, two ministers are jointly assigned the administration of *The Correctional Services Act*—the Minister responsible for Corrections and Policing, and the Minister of Justice and Attorney General.

## 2.0 INTRODUCTION

*The Correctional Services Act* (Act) outlines responsibility for the provision of correctional services and programs. These include assessment, supervision, treatment, training, control, custody, rehabilitation or reintegration of offenders. An offender is a person who has been charged with or convicted of an offence and who is bound by a committal order (i.e., a probation order or an order for committal to a correctional facility), and includes a person transferred to a court or a correctional facility. An offender on probation is ordered to follow certain conditions set by the court, under the supervision of a probation officer.

The Adult Corrections branch of Justice delivers a range of programs that provide for varying levels of care, control and supervision of adult offenders. These adult programs are delivered through two operational systems: Institutional Operations and Community Operations (see **Figure 1**).

**Figure 1—Institutional Operations and Community Operations**

**Institutional Operations:**

- Institutional Operations supervises offenders in correctional facilities (i.e., prisons). Offenders sentenced to a period in jail of less than two years serve their sentence in a provincial correctional facility. Offenders sentenced to two years or more serve their sentence in a federal penitentiary.
- There are four provincial correctional centres for provincially-sentenced and remanded offenders (a remanded offender is someone who has been charged with an offence and has been denied bail, is unable to meet the conditions of bail, or is unable to post bail).
- There are also two community correctional centres, four community training residences, and one correctional camp for offenders who are rated as low security risk.

**Community Operations:**

- Community Operations supervises offenders in the community.
- There are seven regions with seventeen regional offices responsible for supervising offenders on conditional sentence, probation or bail.

## 3.0 CORRECTIONAL MANAGEMENT INFORMATION SYSTEM

The Corrections Management Information System (CMIS) tracks offenders in provincial correctional facilities and within the community (for example, those subject to conditional sentence, probation or bail). CMIS tracks offender location, sentence lengths, incidents, risk or needs assessments for offenders, and special programs (e.g., community training residences).

According to Justice, as of June 2012, the Saskatchewan correctional system was responsible for 8,160 offenders: 1,623 in custody and 6,537 under community supervision.

CMIS is critical for the management and transporting of offenders. Justice relies on the confidentiality, availability, and integrity of this information to ensure the safety of both the offenders and the law enforcement officers charged with their care. CMIS is also used to track release dates for prisoners. If this information is not accurate, offenders may be let out of prison at the incorrect time.

## 3.1 New System under Development

In 2009-10, a business case was approved to develop a criminal justice information management system (CJIMS). The new system will integrate system information so that a complete, historical view of all of an offender's current information could be provided to authorized stakeholders. This "one offender, one file" view is needed because the current Saskatchewan justice system relies on paper and various systems to communicate critical pieces of information.

In 2010-11, Justice and the Information Technology Office partnered to work with an external vendor to modernize the four critical applications for court services (JAIN[1] – Justice Automated Information Network), PCPIC[2] – Provincial Court Payment Information Centre, adult corrections (CMIS) and young offender programs (SYOCAMS – Saskatchewan Young Offenders Case Administration Management System) into one combined system called CJIMS.

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[1] JAIN is the provincial court system that tracks the accused through the court system.

[2] PCPIC tracks summary offence tickets and interfaces with JAIN if tickets are not paid in a timely fashion.

Justice intends to use CJIMS to have a single computerized system to replace the systems currently in use, two of which are 25-30 years old, and to provide efficiencies in gathering and sharing accused/offender information. Justice plans to have CJIMS fully implemented in 2014.

Our recommendations in Section 5.0 are applicable for the development and implementation of CJIMS.

## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry of Justice has effective controls to maintain the integrity of offender data in the Corrections Management Information System for the period from January 1, 2012 to August 31, 2012. Integrity means that data is complete, accurate, and useful.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Justice's processes, we used criteria based on the work of other auditors and current literature listed in Section 6.0. Justice's management agreed with the criteria listed in **Figure 2**.

We based our findings on our examination of Justice's policies, processes, and training manuals. We also examined CMIS, offender files, reports from CMIS, attended an audit with the sentence management team, and observed offender releases.

**Figure 2—Audit Criteria**

To have effective controls to maintain the integrity of offender data in the Corrections Management Information System, the Ministry of Justice should:

1. **Accurately and consistently input offender data**
    - 1.1 Data preparation and entry is authorized and timely
    - 1.2 Necessary and relevant data is input
    - 1.3 Validity and completeness of data is checked

2. **Maintain offender data integrity and security during processing**
    - 2.1 Maintain data reliability during processing, transmission or exchange
    - 2.2 System changes and maintenance occur and are tested
    - 2.3 Security access controls protect the system and data from unauthorized alteration

3. **Generate reports with useful, complete and valid offender data**
    - 3.1 Reports are authorized
    - 3.2 Reports are verified
    - 3.3 Reports provide useful information
    - 3.4 Errors are rectified

**We concluded that for the period from January 1, 2012 to August 31, 2012 the Ministry of Justice did not have effective controls to maintain the integrity of offender data in the Corrections Management Information System (CMIS). Justice needs to:**

- **Establish encryption, patching, and logging requirements**

- **Review all CMIS data entry**

- **Approve a risk-based plan for verifying CMIS data and report to senior management on how the risk is being managed**

- **Remove unneeded user access to CMIS on a timely basis**

- **Have confidentiality agreements signed by staff who have access to CMIS**

Without such controls, someone could obtain confidential offender data or inappropriately modify systems or data. Also, these control improvements will help to mitigate the release of offenders in error.

In Section 5.0, we set out our key findings and recommendations for each criterion.

# 5.0 KEY FINDINGS AND RECOMMENDATIONS

## 5.1 Review and Verify Data Entry

CMIS is used by Institutional Operations (correctional facilities) and Community Operations to access offender information, case management activities, sentence calculations, etc. CMIS is used by correctional staff in the day-to-day management of offenders. Staff in various locations constantly open, close, update, and modify information to the records of offenders in CMIS. Entry of data is time stamped which creates a log of all changes made in CMIS to each offender's record including the time the change was made and who made the change.

Proper documentation is required to admit an offender into a correctional institution. Signed warrants from the court accompany offenders who enter institutions and are used to update sentence information into CMIS. Warrant information is entered into CMIS by admitting staff on the same day the offender is admitted. An admitting supervisor reviews information entered into CMIS to ensure it is accurate. Court information is kept on the offender's file which is maintained in locked file cabinets or file rooms.

CMIS tracks offenders by a unique identifier. A photo is taken of each offender entering a correctional institution and saved in a database separate from CMIS. Photos are used to ensure correct offenders are let out at the time of release. Without having the photo available in CMIS along with the offender's name and unique identifier, there is increased risk that the wrong offender may be let out in error. Justice told us that with the development of CJIMS, photos will be integrated along with offender information.

For Community Operations, court orders are usually faxed and entered into CMIS by clerical staff. Probation officers working in Community Operations monitor offenders serving their sentence in the community or who are out on bail. Offenders are required to report to their probation officer on a specified basis. Court orders for community service are usually either conditional sentence orders (CSO), where an offender is sentenced to jail but is allowed to serve their sentence in the community with conditions, or probation orders, where the offender can remain in the community subject to conditions. Clerical staff for Community Operations often enter court order information in CMIS the day of or the day after the information is received. However, there is no review of data entered by clerical staff. As a result, data entry errors may occur. For example, staff need to make sure they enter the date the court order was made and not the date it was signed. The court order date is the date an offender's sentence begins and entering it incorrectly will impact a release date. Court order information is kept on the offender's file which is kept in locked file cabinets.

Conditional sentence orders (CSO) that are breached are of higher risk of being incorrectly entered into CMIS. In the event an offender breaches a CSO, the time credited against the CSO is stopped until the violation has been addressed by the court. Therefore, if violations occur on a CSO, calculating the time served against a CSO and the release date becomes much more complicated. As a result, the Ministry developed a spreadsheet that tracks time served against a CSO to assist correctional staff in calculating the revised release date. The revised release date is then entered into CMIS. It is important that the expected release date is correct so the offender is let out of prison or stops being monitored by the probation officer on the correct date. However, CSO release dates continue to be incorrect in CMIS. For example, the Ministry's sentence management team (further described below) found that 14 out of 92 errors in the 2011 fiscal year related to conditional sentence calculations. The extent of the errors resulted in changes in release dates ranging from 1 to 32 days.

To help mitigate the risk of errors, Justice has established conditional sentence experts in each Community Operations region across the province. Probation officers are supposed to complete the spreadsheet and submit it to the conditional sentence expert for review. However, we were unable to see evidence that this review process is taking place.

To reduce the risk of errors occurring in both Community Operations and Institutional Operations, senior management has implemented training programs and manuals for staff to effectively perform their work. Management created several policies, training programs, and a sentence management team to reduce errors.

The sentence management team was created in 2008. The sentence management team undertakes annual audits on active offender files at various correctional facilities and Community Operations offices. The audits identify calculation and other errors, and attempt to identify errors before a release date has passed that may have been incorrect. Calculation errors impact offenders' release dates and are considered by Justice to be the most significant possible errors. Other errors include instances where documentation is missing, alerts within CMIS are incorrect, or warrants have been entered incorrectly but did not have an impact on the expected release date.

The sentence management team's scope of work has varied from year to year. For example, in some years, the sentence management team only looked at a percentage of the offender population in some correctional facilities. The sentence management team's scope for the period we audited included only active offender files from CMIS as of the date of the sentence team's examination. Therefore, there is a risk that the team does not identify and correct all errors for the year (i.e., for offenders with release dates falling between audit dates). We did not see an overall risk-based plan approved by senior management that specifies which offender files will be audited. A risk-based plan would outline the correctional facilities or Community Operations offices to be audited, for what timeframe, and for which offenders.

1. **We recommend the Ministry of Justice use an approved risk-based plan for auditing offender files and Corrections Management Information System data.**

For the audit period, we observed that the sentence management team identified errors in release dates. For example, for the 2011 fiscal year, the sentence management team found a 5.4% error rate for Institutional Operations. Without the sentence management team identifying errors, errors would not be caught and fixed and offenders may be released on inappropriate dates.

The sentence management team has various ways of making changes to CMIS data – sometimes asking the probation officer or admitting staff to make changes and other times making changes directly. We did not see a verification check of changes made to CMIS data by the sentence management team. Moreover, as described earlier, there was not evidence of consistent review of data entered by staff in Community Operations.

2. **We recommend that the Ministry of Justice implement processes to require verification of Corrections Management Information System data entry.**

The Ministry requires criminal record checks, oaths and confidentiality agreements for staff. It is appropriate that staff provide criminal record checks and agree to terms of appropriate use and access to confidential offender data. Criminal record checks and oaths were appropriately completed. However, we found that not all staff had confidentiality agreements signed and filed in their personnel files.

3. **We recommend that the Ministry of Justice ensure all required confidentiality agreements for Corrections Management Information System users are completed and signed.**

## 5.2 Keep Offender Data Secure

Username and password authorization is required to access CMIS and users are required to change their password every 90 days. There are a limited number of people who have the ability to set up new CMIS users. All new users are required to complete basic training. New users are set up in CMIS based on a user request form signed by an authorized supervisor. CMIS has appropriate roles and privileges established which give users the ability to only change data for offenders for whom they are responsible. For example, a probation officer in Weyburn can only update information about offenders in the Weyburn area. There are a limited number of users with full access to change all CMIS data and their changes are time stamped for accountability.

Justice has a policy that requires users to have their CMIS access removed once they have left Justice. However, Justice is not following this process. We found that 6 out of 12 users tested did not have their CMIS access removed or disabled on a timely basis. Some users continued to have access to CMIS five months after they had left Justice. Of these 6 users, 3 also still had an active ministry network account. This increases the risk than an unauthorized person could gain system access and obtain confidential information or inappropriately modify systems or data.

4. **We recommend that the Ministry of Justice follow its policy to ensure that unneeded Corrections Management Information System user access is removed on a timely basis.**

CMIS (the database and the server on which it resides) and the offender data it contains are hosted by a service provider, the Information Technology Office (ITO). Connections to CMIS are also managed by ITO. Justice does not have a process to monitor ITO and to ensure that patching, logging, monitoring and maintenance are effectively performed on the CMIS server and database. As a result, Justice does not know if the offender data is appropriately secured. We found patches were not being installed. Patches play an important role in fixing security vulnerabilities.

Justice does not encrypt CMIS network traffic or CMIS data stored on laptops and servers. Encryption transforms confidential data to make it unreadable to anyone except those authorized to see it. CMIS data travels on a shared network between ITO and computers at various Justice facilities. That shared network should be treated as untrusted, requiring the encryption of confidential data. Some Justice employees occasionally traveled with confidential data stored on their unencrypted laptops. If their laptop is lost or stolen, confidential data could get into the wrong hands. Encrypting the laptop hard drives that store confidential data helps protect them should physical security measures fail. Furthermore, Justice has not performed a threat and risk assessment of CMIS to ensure that data protection controls are adequate and implemented. Justice has not had ITO perform any vulnerability assessments for CMIS.

5. **We recommend that the Ministry of Justice determine and monitor encryption, patching, and logging requirements for the Corrections Management Information System based on a threat and risk assessment.**

System changes required to CMIS are identified by Justice. Justice then submits a request to have the change made to ITO. Changes are then documented, developed, and provided to Justice for testing. Once a change is approved by Justice, ITO moves the changes from the test environment to operations.

## 5.3 Prepare Useful Offender Data

Staff at correctional facilities run reports in CMIS to perform their daily work and effectively manage offenders. CMIS is accessible to staff who require it and is available for reporting on a daily basis.

Correctional institutions rely on a report from CMIS together with written documentation (a count maintained by staff) to determine the status and the number of offenders in total in the facility at any given time. Reconciliations are done between the manual count log and CMIS on a regular basis throughout the day.

To identify offenders who should be released from a correctional facility the next day, an "exit list" is run from CMIS on a nightly basis. When court information has been reviewed to confirm the offender should be released, staff print a photo of the offender from another system separate from CMIS. The photo is used confirm the identity of the offender the morning of release.

If an offender has to be released from the correctional facility to make a court appearance, an offender return form accompanies the offender. This process began in 2010. An offender return form is used to document offender information from CMIS when an offender leaves a correctional facility (e.g., to go to court). This helps ensure that offenders who should be returned to a correctional facility for a sentence unrelated to the one being heard in court are returned. This form is provided to the escorting officer along with the offender. After the court appearance, the court clerk fills out the disposition section of the form. The offender return form is to be returned to the correctional facility as soon as possible whether the offender is released or not, usually accompanying the offender if the offender is returned to custody.

Video court is becoming more popular which means offenders do not have to physically leave the correctional facility. Justice uses a report from CMIS on a daily basis to identify offenders who have video court.

In the past, Justice has released offenders from correctional facilities in error. To reduce these occurrences, as noted above, Justice created the offender return form, developed a spreadsheet to assist with the calculation of a release date when a CSO is violated, and created a sentence management team.

At the completion of sentence management audits, the sentence management team creates summary reports that highlight all errors found. The report for each audit is provided to senior management. At the end of the year, the sentence management team summarizes the results of all audits completed and provides the report to the Deputy Minister. Since the creation of the sentence management team, the number of calculation errors has gone down and the magnitude of the errors has also gone down. However, as noted earlier in Section 5.1, the scope of the sentence management team's work is not based on an approved risk-based plan for auditing offender files and CMIS data. Therefore not all errors for the year may be identified and reported, and senior management may not be aware of the extent of errors in release dates.

6. **We recommend that the Ministry of Justice provide senior management with routine reports that completely describe the risk of incorrect offender release dates, how that risk is managed, and all inappropriate offender releases.**

As we described earlier, Justice does not know if it is releasing all offenders at the right time. In the event an offender is released from a correctional facility in error, Justice has an escalation process whereby an unlawful detention-release notification form gets completed and is provided to senior management.

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# Chapter 28
# Five Hills Regional Health Authority—Nourishing and Safe Food Services in Long-Term Care Facilities

## 1.0 MAIN POINTS

Under *The Regional Health Services Act*, Five Hills Regional Health Authority (Five Hills) is responsible for the delivery of health care in its health region. This includes long-term care which is delivered in facilities either owned and operated by Five Hills or its affiliates who receive funding to provide services to Five Hills. There are currently 536 long-term care beds in Five Hills.

Our audit for the period January 1, 2012 to July 31, 2012, found that Five Hills' processes could not always ensure that nourishing and safe food services were provided to residents of its long-term care facilities. We made 11 recommendations. Five Hills did not have its menus reviewed to ensure compliance with Canada's Food Guide. It did not have a standard system for tracking individual dietary needs, or for periodically reviewing those needs. Meals were not always served at appropriate temperatures and textures, and records of meals served were not reviewed by registered dietitians. Also, Five Hills did not conduct quality assurance reviews of its long-term care food services.

Additionally, Five Hills can improve long-term care food services by updating its policy and procedures manual, providing timely mealtime assistance to residents, monitoring affiliate food costs, developing procedures for documenting and addressing complaints, and regularly surveying residents and their families for satisfaction relating to food services.

We encourage other regional health authorities to use the criteria described in this chapter to assess their own processes for providing nourishing and safe food services in their long-term care facilities.

## 2.0 INTRODUCTION

Five Hills oversees the provision of health services for an area of south-central Saskatchewan that includes 54,000 residents. *The Regional Health Services Act* outlines the regional health authority's responsibilities.

Like other regional health authorities, Five Hills is responsible for the provision of long-term care in its health region. *The Housing and Special-Care Homes Regulations* outline standards for food service in long-term care homes. Long-term care homes (also called special-care or nursing homes) meet the needs of individuals usually having heavy care needs (i.e., require 24-hour nursing care and supervision in a secure setting) whose needs cannot appropriately be met through home or community-based services. Individuals are admitted on the basis of assessed need. These assessments are done by each regional health authority. Most regional health authorities offer the person with the greatest need and living with the greatest risk the first available bed with the option to transfer to the facility of their choice when a bed becomes available there.[1]

Government funds long-term care homes through regional health authorities. Regional health authorities may operate a long-term care home directly or through an affiliation contract.[2] The cost paid by the residents for long-term care varies and is based on income and provincial guidelines.

There are 536 long-term care beds available in ten long-term care homes in Five Hills. Five Hills owns and operates seven of the facilities and affiliates own and operate the remaining three. The ten facilities that provide long-term care services to residents in Five Hills and their location are as follows:

**Figure 1—Five Hills Long-term Care Facilities**

| Long-term Care Facilities | # of Beds |
|---|---|
| Assiniboia Union Hospital (Assiniboia) | 22 |
| Ross Payant Centennial Home (Assiniboia) | 38 |
| Central Butte Regency Hospital (Central Butte) | 20 |
| Craik & District Health Centre (Craik) | 15 |
| St. Joseph's Hospital/Foyer d'Youville (Gravelbourg)* | 50 |
| Lafleche and District Health Centre (Lafleche) | 16 |
| Pioneers Lodge (Moose Jaw) | 74 |
| Providence Place (Moose Jaw)* | 174 |
| Extendicare Moose Jaw (Moose Jaw)* | 110 |
| Grasslands Health Centre (Rockglen) | 17 |

*denotes affiliated facilities

## 3.0 BACKGROUND

Nutrition in long-term care facilities has a significant impact on health care costs and quality of life. Nutrition is essential to the health of a long-term care resident. Having sufficient energy and nutrients can help older people retain their health, prevent and manage their chronic conditions, and contribute to a longer life filled with quality living.

Recent research suggests that the rate of malnutrition among institutionalized elderly people ranges between 5% and 85% with an estimated average of 30%.[3] Poor nutrition can cause declines in immune and sensory functions (e.g., macular degeneration), and worsens symptoms related to chronic diseases such as cardiovascular disease, diabetes, osteoporosis, and cancer.[4] Chronic disease is a major factor of health care costs. The annual cost of chronic diseases has been estimated at 42% of health spending in Canada.[5]

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[1] Saskatchewan Ministry of Health. Housing Options for Saskatchewan Seniors. *Provincial Advisory Committee of Older Persons*, p. 5.

[2] Designated under *The Regional Health Services Act*, an affiliate is the operator of a health care facility (such as a long term care home or hospital) that was operating before the creation of regional health authorities. Affiliate facilities are not owned or operated by regional health authorities, but receive funding from them to provide health services.

[3] Lengyel, C., Whiting, S.J., & Zello, G *I*. (2008). Nutrient Inadequacies Among Elderly Residents of Long-Term Care Facilities. *Canadian Journal of Dietetic Practice and Research* 69(2), p.83.

[4] Public Health Agency of Canada. (2009). *Healthy Eating and Healthy Aging*. http://www.phac-aspc.gc.ca/seniors-aines/publications/pro/healthy-sante/haging_newvision/vison-rpt/eating-alimentation-eng.php (accessed June 12, 2012).

With the aging population, there is growing demand for long-term care services. Any nutritional deficiencies in long-term care residents will likely put additional pressure on acute care[6] in Five Hills.

The elderly in Saskatchewan deserve to live comfortably, and families wish to see their parents and grandparents treated with dignity. Well-prepared, nutritious food can help residents maintain a better quality of life that comes as close as possible to living in their own homes.

## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether Five Hills provided nourishing and safe food services in its owned and affiliated long-term care facilities for the period from January 1, 2012 to July 31, 2012.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. We examined Five Hills' policy and procedures manual, meal plans (i.e., menus), health inspection reports, and other relevant documents. We utilized the services of a registered dietitian to evaluate menus used in Five Hills. We also visited all the long-term care facilities in Five Hills.

To evaluate Five Hills' processes, we used criteria based on the work of other auditors and current literature listed in Section 6.0. Five Hill's management agreed with the criteria in **Figure 2**.

**Figure 2—Audit Criteria**

To provide nourishing and safe food services to residents of long-term care facilities, Five Hills Regional Health Authority and its affiliates should:

1. **Set standards and guidelines**
    1.1. Develop nutritional standards based on best practices (e.g., Canada's Food Guide) and consistent with the law
    1.2. Adopt specific guidelines for how and when meals are prepared and delivered
    1.3. Set procedures for meal-time assistance practices
2. **Plan nutritional and edible meals for residents**
    2.1. Document and review nutritional plans for each resident
    2.2. Design meal plans in accordance with nutritional standards and individual nutritional plans
    2.3. Allocate sufficient resources for meals
3. **Provide safe and quality meals**
    3.1. Operate safe and clean kitchen facilities
    3.2. Follow proper hygienic practices
    3.3. Deliver meals, snacks, and fluids that meet meal plans
    3.4. Serve meals that have appropriate temperature and texture
    3.5. Assist patients as needed
    3.6. Supply alternative meals to residents with special dietary needs
4. **Monitor provision of food service**
    4.1. Undertake periodic assessments of food service delivery
    4.2. Review complaints and incidents
    4.3. Take corrective action

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[5] Mirolla, M. (2004). *The Cost of Chronic Disease in Canada*.
http://www.gpiatlantic.org/publications/summaries/chroniccanadasumm.pdf (accessed June 11, 2012)

[6] Acute care services provide necessary and short-term treatment of a serious injury or illness or an urgent medical condition. Such care is often provided in a hospital.

**For the period January 1, 2012 to July 31, 2012, Five Hills Regional Health Authority's processes could not always ensure that nourishing and safe food services were provided to residents of its long-term care facilities because Five Hills did not have:**

- **Its menus reviewed to ensure compliance with Canada's Food Guide**
- **A standard system for tracking individual dietary needs and for periodically reviewing individual needs**
- **Meals consistently served at the appropriate temperature and texture**
- **Records of all meals served in long-term care facilities reviewed by a registered dietitian**
- **Regularly conducted quality assurance reviews of food services as required under its own policy**

**In addition, Five Hills needs to update its regional dietary policy manual, provide timely meal-time assistance to residents, monitor affiliate food costs, develop procedures for documenting and addressing complaints, and regularly survey residents and their families for satisfaction of food services.**

# 5.0 KEY FINDINGS AND RECOMMENDATIONS

## 5.1 Review and Update Nutritional Standards

### 5.1.1 Menus Need to be Reviewed

Five Hills has a Nutrition and Food Services Policy and Procedures Manual that sets out policies and procedures for the delivery of food services in Five Hills. The manual does not set nutritional standards for the food served in its long-term care facilities. Rather, Five Hills uses a menu as its basis for setting a nutritional standard.

Prior to 2012, Five Hills used a menu that had been in place since 1995. A regional committee of dietary management and long-term care facility cooks adopted a new menu in 2012. Five Hills now uses a four–week menu developed by a private sector company, provided free of charge because Five Hills uses an affiliated company to purchase its food items. The new menu changes twice a year based on the seasons (spring/summer and fall/winter). Therefore, a four-week cycle of meals is used for six months of the year. Good nutrition requires eating a variety of food types chosen from Canada's Food Guide and this includes incorporating seasonal foods into menus. Three facilities in Five Hills have not transitioned to the new menu (two affiliates continue to use a six-week menu while one owned facility uses an alternative four-week menu).

*The Housing and Special-care Homes Regulations* require basic daily food to be provided in accordance with Canada's Food Guide. By receiving food as recommended by Canada's Food Guide, residents meet their nutrient needs and reduce their risk of obesity and chronic diseases. Five Hills relied on a private sector company's dietitians to ensure that the new four-week menu was in accordance with Canada's Food Guide. Five Hills did not have the new menu confirmed by one of its own registered dietitians to ensure requirements of Canada's Food Guide or the requirements of their residents were met. Registered dietitians are health professionals trained to have extensive knowledge in food and nutrition.

We reviewed the menus used by facilities within Five Hills with the assistance of a registered dietitian. We found that the new menu used by Five Hills did not completely comply with Canada's Food Guide. For example, the menu offered juice too often in lieu of fresh fruit and vegetables. Fresh fruit is important for essential vitamins and minerals but also for the fibre it contains. Constipation is a common complaint among the elderly and limited access to fresh or canned fruits can contribute to that problem. Also, the new menu did not outline portion sizes which means facilities may be providing inconsistent amounts of calories, fibre, vitamins, and minerals. The new menu also did not always provide for at least two servings of fish each week as recommended by Canada's Food Guide. We note the six-week menu used by one of the affiliates complied with Canada's Food Guide and provides residents with the appropriate number of servings of foods from each of the four food groups.

In order for health care facilities to provide nutritious food that meets the daily medical and physical needs of its residents, menus should be reviewed by dietitians to ensure that they are based on best practices and provide the necessary nutritional requirements to residents. It may be useful for Five Hills to work with the Ministry of Health and/or other regional health authorities to develop a standard menu assessment tool that could be used province-wide to evaluate long-term care menus.

1. **We recommend that Five Hills Regional Health Authority confirm all long-term care facility menus comply with Canada's Food Guide.**

## 5.1.2 Guidelines in Place but Need Updating

As noted earlier, Five Hills has a Nutrition and Food Services Policy and Procedures Manual that sets out policies and procedures for the delivery of food services in Five Hills. The manual sets procedures for food preparation, meal-time assistance, appliance operation and kitchen clean-up. It also has a number of facility-specific procedures that detail daily procedures for cooks and dietary aides (e.g., procedures for starting breakfast in the morning). The manual is outdated. The manual was created in 2005. Some of the policies in the manual were reviewed and revised in 2008 and 2009. However, many policies have not been reviewed and updated since the manual was created in 2005. For example, the manual includes organizational structures from 2005 and contains quality assurance policies created in 2005 that are not being followed by the region, which is further described in Section 5.4.1.

We found that a number of food service processes were inconsistently applied throughout Five Hills. Later in this chapter, we provide details on these inconsistencies. Without an updated policy manual, Five Hills is unable to ensure that the food service practices of its facilities, and those of its affiliated facilities, will meet the standards it has adopted.

**2. We recommend that Five Hills Regional Health Authority review and update its Nutrition and Food Services Policy and Procedures Manual.**

### 5.1.3 Procedures for Meal-Time Assistance in Place

Five Hills has procedures in place for meal-time assistance. The policy manual stipulates that only care staff (not kitchen staff) will assist and supervise residents at meal time. During the audit, we observed that only care staff were assisting and supervising residents at all of the facilities.

## 5.2 Require Better Tracking and Review of Residents' Dietary Needs

### 5.2.1 Develop a Standard System for Meeting Dietary Needs

Residents' dietary needs (including nutritional requirements) are assessed upon admission to a long-term care facility and documented in the nutrition section of an admission form. Nursing care monitors the health of the resident (e.g., blood sugar level, weight) and the kitchen staff tracks the dietary needs of a resident (e.g., diabetic, allergies, likes/dislikes). Communication about dietary needs of residents between the nursing care and the kitchen staff was not always well documented. Also, Five Hills does not have standards in place that require annual reviews of dietary needs of residents by a registered dietitian. Residents with complex medical needs require alterations of the basic menu to help them meet their nutritional requirements and alterations should be reviewed by a registered dietitian.

Methods of tracking residents' individual dietary needs and changes to those dietary needs are inconsistent throughout Five Hills. While some facilities effectively track original dietary needs and the changes made to them, others rely largely on staff's knowledge of residents and verbal communication between nursing care and kitchen staff. While staff may have a thorough knowledge of their respective residents, without a well-documented system there is a risk of the wrong diets being prescribed and the wrong meals being served to residents. Only two facilities tracked dietary changes with dates and indication of who made the changes. Tracking these changes ensures that if a resident's condition changes (e.g., changes in weight, blood sugar levels fluctuate, they begin having trouble swallowing), staff can review their respective dietary history to determine diet impact.

It is important for facilities to track the dietary needs of its individual residents. Every resident is different and may have unique dietary needs. Diabetic residents will require less sugar than in regular diets, and those residents who have difficulty swallowing solid foods may need their foods ground or pureed in order for them to eat. In these cases, receiving the wrong meal could jeopardize their health and the need for facilities to ensure that residents receive appropriate meals is that much more important. Similarly, if residents' dietary needs change, facilities must have processes in place to adapt their diets to best suit individual needs.

**3. We recommend that Five Hills Regional Health Authority implement a standard system of tracking individual residents' dietary needs and changes to those needs.**

Presently, dietitians in Five Hills only review the dietary needs of a long-term care resident when asked for a consult by care staff. They do not review the dietary needs upon admission or on a periodic basis. To ensure residents receive the appropriate amount of nutrition, Five Hills should have registered dietitians periodically review the dietary needs of each resident. Five Hills should develop tracking procedures to flag a resident's need for a dietitian consult. For example, Five Hills could monitor residents' food intake. This would help Five Hills identify residents who are at risk of becoming malnourished and would benefit from an assessment from a registered dietitian.

**4. We recommend that Five Hills Regional Health Authority develop guidance for when a registered dietitian should review dietary needs of residents.**

### 5.2.2 Menus Designed

As previously mentioned, Five Hills uses its menu as its nutritional standard. However, menus are adapted to each resident's individual nutrition needs. For example, dessert is removed or replaced with an alternative for diabetics. However, as noted above, Five Hills does not have a consistent tracking system for nutritional needs of residents, nor does a registered dietitian review nutritional needs of residents.

### 5.2.3 Sufficient Resources

For all facilities, including long term care facilities, Five Hills sets the budget for food services as part of its annual budget process.

The dietary department in each Five Hills owned long-term care facility has a budget. It includes such things as salaries and benefits, supplies (e.g., food, cleaning supplies, utensils, etc.), and other expenses (e.g., postage, telephone). Every six months, Five Hills reports the actual revenue and expenses for each dietary department for its seven owned facilities. The affiliates budget and report separately as they are contracted agencies. Five Hills did not monitor food costs per resident at all of the affiliates.

**5. We recommend that Five Hills Regional Health Authority obtain annual average food cost per day information from its affiliates to confirm that a reasonable amount is being spent on food for residents of long-term care homes.**

The regional committee of dietary management and facility cooks (not including representation from one affiliate) discuss the financial reports and provide explanations of any variances. For example, they monitor the food cost per resident per day, which is typically budgeted around $6.00. If there are facilities that exceed the average food cost per day, management follows up with those facilities. During our audit, we found most facilities are spending more than $6.00 per resident per day on food costs. We note that the amount spent on food per resident per day is consistent with other jurisdictions such as Ontario.[7]

## 5.3 Improvements Needed in Order to Provide Safe and Quality Meals

### 5.3.1 Safe and Clean Kitchen Facilities in Operation

We observed clean kitchen facilities and eating areas throughout Five Hills. Food was properly stored (i.e., food was not stored on the floor and raw meat was not above ready-to-eat food), and food was kept at appropriate temperatures. Each facility tracked the temperature of the refrigerators and freezers throughout the day on a daily basis to ensure stored food was cold enough.

Each facility also had cleaning schedules for its kitchens. However, not all cleaning schedules were initialled off once the duty was performed. Good practice would be to have the cleaning schedules initialled off to ensure the cleaning schedule was being followed.

Long-term care facilities are required to obtain public health licenses and undergo regular public health inspections in order to continue their operations. The facilities of Five Hills have generally good public health inspection records. As noted above, our findings are consistent with these records.

### 5.3.2 Proper Hygienic Practices are Followed

Staff in each facility followed proper hygienic practices. During the audit, we observed all staff wore aprons, hair nets, and limited jewelry (e.g., wedding band and wristwatch) while working in the kitchen. The facilities also had adequate hand-washing stations throughout the kitchens, with liquid soap and single-use paper towels at each station.

All kitchen staff are required to have safe food handling training when starting employment with Five Hills. One affiliate requires its staff to retake this training every five years. As good practice, Five Hills should consider having kitchen staff take refresher courses for safe food handling.

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[7] Dietitians of Canada Long Term Care Action Group, *Advocating for increased food handling staff hours in long term care homes: Essential for quality nutrition, hydration and dining care for our residents*, p. 11.

### 5.3.3 Need to Review the Meals, Snacks, and Fluids That Are Delivered

The meals delivered to residents were not always consistent with the meal plans (i.e., menus). We noted that in six facilities, the meal served on the day we visited was inconsistent with the menu. The menus were modified for various reasons. For example, in one facility, the ingredients needed for the planned meal were unavailable. In another facility, the cook was unhappy with the quality of food delivered by the supplier. A third facility had changed the menu substantially to suit the preferences of its residents.

It is reasonable for cooks to modify the menus when needed. However, it remains important that the food served to the residents provides them with the nutrients they require to remain healthy. Registered dietitians understand the nutritional value of food and how food impacts health conditions. Therefore, Five Hills should have registered dietitians regularly review the meals served in all the long-term care facilities to ensure residents are receiving the appropriate type and amount of food to meet nutritional standards. This will also give facilities the flexibility they need to serve meals their residents will enjoy while ensuring nutritional standards are met.

6. **We recommend that Five Hills Regional Health Authority have modified menus regularly reviewed by a registered dietitian to confirm that meals served met nutritional standards.**

Residents are offered plenty of fluids at each meal, with most residents having at least three or four choices (e.g., water, milk, juice, coffee and/or tea). Water is also made available in each of the residents' rooms. We note many residents require assistance from care staff to serve themselves water in rooms.

We noted that in one facility, the tap water, which was being served to residents, had a particularly foul smell and taste. Though water tests that had been done by the facility's town had not identified any risks to public health, the tests had identified high levels of sodium and dissolved solids, which can affect the smell and taste of water. Unappetizing water is particularly serious in a long-term care facility as residents require sufficient fluids to maintain good health. Water with a foul smell and taste discourages residents from drinking fluids, which can compromise their health. Since our visit to the facility, Five Hills has implemented a policy of using bottled water for serving residents and cooking where situations warrant it.

### 5.3.4 Meals Need to be Served at Appropriate Temperature and Texture

Five Hills has a policy to monitor the temperature of food before serving residents and to record the temperature of each food on the appropriate form. In six of the facilities we visited, we observed staff either not taking the temperature of food before serving or not properly documenting the temperature in writing. Measuring and tracking temperature is an important step of food preparation as it helps to prevent food borne illnesses due to bacteria and toxicants. If there were to be an outbreak in any of the facilities, the temperature of food served to residents could be an important indicator as to whether the kitchen was the source of the outbreak. Regular safe food handling courses and food service monitoring policies may minimize this important step being missed.

Some residents require meals to be ground or pureed when served. For example, a resident with a choking hazard could be served a pureed meal. We found all residents with this requirement were appropriately served the prescribed meal texture (e.g., pureed foods). However, in two of the facilities we visited, we noted that pureed foods were inappropriately mixed together (i.e., mashed potatoes were mixed with pureed pork and pureed vegetables). This is inconsistent with Five Hills' policy and best practices for long-term care food services. The food should be offered individually so the resident is able to taste and smell each food flavor.

7. **We recommend that Five Hills Regional Health Authority follow its policy and procedures to serve food at the appropriate temperature and texture.**

### 5.3.5 Patients are Assisted as Needed

In every facility, care staff (nurses and care aides) were responsible for assisting residents during meal time. We found that staff sat while helping residents, made eye contact while talking to them, and treated them in a respectful manner. However, not all residents were assisted in a timely manner. In one instance, a resident was served the meal but was then left unattended. The resident was not assisted until at least 30 minutes after being served, resulting in the food being cold. Other residents were assisted with their meals, including dessert, before this resident was assisted. Five Hills needs to encourage care staff to assist residents in a more timely manner, or adjust the time when a meal is served closer to the time that care staff is able to assist residents.

8. **We recommend that Five Hills Regional Health Authority provide timely assistance to residents to ensure all residents are served meals at the appropriate temperature.**

We also noted that in all facilities it was the residents with higher needs who received the majority of staff attention. Those residents who did not require as much assistance physically eating did not receive as much attention (e.g., conversation, eye contact, etc.). To make meals more pleasurable for all residents, care staff should try to provide some attention to all residents.

### 5.3.6 Standard Method for Delivering Alternative Meals Needed

Residents are served alternative meals as required. For example, residents who require a gluten-free diet are served modified meals to meet their needs. However, as noted earlier, there is no standard method of tracking residents' dietary needs.

## 5.4 Better Monitoring of Food Services Needed

### 5.4.1 Periodic Assessments Need to be Done

The Five Hills Nutrition and Food Services Policy and Procedures Manual includes a quality improvement initiatives policy. The purpose is to ensure that high quality personnel and operational management practices exist and menus meet requirements. The manual indicates there are to be annual audits undertaken by Five Hills management in all facilities to ensure that facilities are following policies and procedures (e.g., an audit on meal service covering such things as serving food at the correct temperature, tasting food prior to service, holding food on steam table a maximum of two hours, etc.). According to the manual, a Quality Assurance Report is also required each year, to note findings, recommendations, and action plans. Staff at all facilities were unaware of this requirement for audits and Five Hills management confirmed that quality assurance audits have not been done for a number of years.

Like the rest of Saskatchewan's health regions, Five Hills is large and geographically diverse. As such, management cannot be present at all facilities on a regular basis. It is important for Five Hills to regularly review whether its procedures are followed in long-term care facilities.

**9. We recommend that Five Hills Regional Health Authority follow its policy for quality improvement by conducting annual risk-based audits or reviews of food services.**

As noted earlier, each facility also has public health inspections done on a regular basis (once or twice a year). The facilities of Five Hills have generally good public health inspection records. Our findings are consistent with these records.

Only one facility, an affiliate, conducts surveys of food service on an annual basis. Five Hills would also benefit from actively seeking input from residents and their families. Conducting regular surveys of those who depend on food services the most can help strengthen Five Hills' responsiveness to its clients. This could help ensure that its long-term care facilities are serving safe and nourishing food to their residents in a cost-efficient manner.

**10. We recommend that Five Hills Regional Health Authority periodically survey residents and families of residents in all long-term care homes about food services.**

### 5.4.2 Process to Review Complaints Needs to be Implemented

Five Hills has no formal process to receive and respond to complaints about food services in long-term care facilities. Complaints about food are handled informally, with nurses or care staff communicating preferences to dietary staff in ways that range from simple verbal communication to written memos. Changes may be made based on this information; however, there is no standard procedure for addressing complaints about food services. There is no formal documentation of complaints, or any documentation showing the complaint has been followed-up and resolved. Complaint trends are not monitored and opportunities for improvement are missed such as in the case of the foul smelling water as noted previously.

11. **We recommend that Five Hills Regional Health Authority implement procedures to document, monitor, and address complaints about long-term care food services from residents and their families in all long-term care homes.**

### 5.4.3 Unknown if Appropriate Corrective Action Taken

As noted above, Five Hills does not have a formal process to deal with complaints or incidents involving food service. Nor does it survey the residents and their families on the food service they receive. As a result, Five Hills may not be taking corrective action when needed. Once Five Hills implements procedures for handling complaints and conducting surveys, it needs to ensure that taking appropriate action is part of its procedures.

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# Chapter 29
# Information Technology Office—Annual Security Audit

## 1.0 MAIN POINTS

The Information Technology Office (ITO) provides IT services to over 30 clients. ITO has an agreement with a third party service provider to operate and maintain ITO's network and data centre. The data centre includes computers that host client systems and data. ITO needs to have effective controls and ensure its service provider follows effective security processes to protect client systems and data.

ITO needs to do more to protect client systems and data, such as:

- Complete IT security standards for its clients
- Monitor whether the service provider meets all security requirements
- Provide relevant and timely security reports to clients
- Adequately restrict user access to client systems and data
- Adequately configure and update its server and network equipment
- Have a complete and tested disaster recovery plan for the data centre and clients systems

Without effective central controls, there is greater risk of inappropriate access or changes to systems and data and greater risk that systems and data will not be available when needed.

Effective May 25, 2012, ITO became part of the Ministry of Central Services. As a result, the Ministry of Central Services became responsible for information technology for the Government of Saskatchewan.[1]

## 2.0 INTRODUCTION

ITO delivers information technology (IT) services to government ministries and agencies (clients). ITO buys, distributes, and manages IT hardware and software. ITO also develops IT applications, based on client requests, and provides project management services on IT projects.

ITO provides IT services to over 12,000 staff at 31 clients.[2] Its clients are primarily government ministries along with other government agencies. A complete list of clients as at February 29, 2012 is included in Section 10.0.

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[1] *The Ministry of Central Services Regulations*, ss. 3(j),(k) and (l).

[2] ITO *Annual Report 2011-12*, p.6. Note that these numbers include ITO.

Clients rely on ITO to have effective controls and to carry them out properly. We perform this audit annually to support our audits of ministries and other government agencies that are ITO's clients.

## 3.0 BACKGROUND

Information technology is an integral part of delivering many government programs and services. To deliver services effectively and achieve objectives, government agencies need to know that their IT systems and data are secure. That is, they need to know that processes are in place and are operating effectively to protect the confidentiality, integrity, and availability of their systems and data.

While ITO is a service provider to its clients, ITO itself has an agreement with a third party service provider to operate and maintain the network and data centre. The data centre is the central location for computer network hardware and software, and includes computers that host applications and store data. While ITO continues to carry out some IT services directly, including application development and managing user access, most data centre services are provided by ITO's service provider.

To protect the security of client systems and data, ITO needs to ensure its service provider follows effective security processes and that ITO's clients follow minimum security requirements. This is because a weakness involving the service provider or at a client location poses risks to ITO and all clients.

## 4.0 AUDIT OBJECTIVE

The objective of our audit was to assess whether ITO had effective controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the six-month period from September 1, 2011 to February 29, 2012.

## 5.0 AUDIT SCOPE AND CRITERIA

Our audit focused on the data centre. The audit did not assess the adequacy of security controls (e.g., user access controls) for specific client applications (e.g., financial accounting or payroll systems) or for hardware or equipment in use at client locations. We assess these controls in our audits of those ministries and other government agencies.

We followed the *Standards for Assurance Engagements* published in the *CICA Handbook-Assurance*. To evaluate ITO's processes, we used criteria based on the work of other auditors and literature listed in the selected references. The criteria are primarily based on the *Trust Services Criteria, Principles, and Illustrations* authored by The Canadian Institute of Chartered Accountants (CICA) and American Institute of Certified Public Accountants. ITO agreed with the criteria.

**Figure 1—Audit Criteria**

To have effective controls to protect the confidentiality, integrity, and availability of client information technology systems and data, ITO should:

1. **Demonstrate management commitment to security**
   - Have an adequate agreement with its service provider
   - Threat and risk assessments are performed
   - Management approves security policies and procedures
   - Management monitors security including its service provider
2. **Protect client systems and data from unauthorized access**
   - User access controls protect client systems from unauthorized access
   - Physical security controls protect the data centre from unauthorized access
3. **Ensure client systems and data centre remain available for operation**
   - System and data backups occur and are tested
   - Disaster recovery and business continuity plans are in place
4. **Ensure the integrity of client systems and data**
   - Change management processes exist and are followed
   - Operational processes exist and are followed

## 6.0 AUDIT CONCLUSION

**We concluded that for the six-month period from September 1, 2011 to February 29, 2012, ITO had effective controls to protect the confidentiality, integrity, and availability of client information technology systems and data except that ITO needs to:**

- **Complete policies that set a minimum IT security standard for clients—ITO has its own established policies but it has not completed security policies for clients**
- **Monitor whether the service provider meets all aspects of its security requirements—ITO needs additional information from the service provider in the areas of server management and disaster recovery capacity**
- **Provide relevant and timely security reports to its clients—ITO's reports to clients do not adequately inform clients whether ITO is securing their systems and data**
- **Adequately restrict user access to client systems and data—ITO does not consistently follow its processes for removing access of former employees or fully comply with its password requirements**
- **Adequately configure and update its server and network equipment to protect them from security threats—ITO has appropriately updated and configured certain key servers and network equipment, but it needs to fully secure all servers and network equipment**
- **Have a complete and tested disaster recovery plan for the data centre and client systems—ITO performs backups and keeps these offsite, but ITO does not have an approved and tested plan to recover systems and data in the event of a disaster**

Recommendations previously directed at ITO are now directed at the Ministry of Central Services consistent with the new legislative mandate of the Ministry of Central Services.

## 7.0 KEY FINDINGS AND RECOMMENDATIONS

### 7.1 Define Service Provider Requirements

We recommended that the Information Technology Office finalize defining the security requirements its service provider needs to follow. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

**Status** – Implemented (except for specifying disaster recovery services).

Our expectation is that the service provider agreement should include security requirements for configuring and maintaining computer equipment. The agreement should also define expected availability requirements including specific backup and disaster recovery requirements.

During the audit period, ITO and the service provider defined configuration and maintenance requirements for all computer and network equipment. ITO plans to review these requirements annually. ITO and its service provider have not yet agreed upon disaster recovery services. We discuss this weakness in Sections 7.3 and 7.8.

### 7.2 Complete Client Security Policies Required

We recommended the Information Technology Office establish information technology security policies for its clients. (2008 Report – Volume 3; Public Accounts Committee agreement December 10, 2008)

**Status** – We continue to make this recommendation.

ITO has not completed development of security policies and procedures that its clients need to follow.

Our expectation is that, to protect the security of its data centre, ITO needs to ensure its clients follow effective security processes. This is because a security weakness at a client poses risks to ITO and all its clients.

Strong security starts with both ITO and clients agreeing on the security requirements that client staff need to follow. ITO and its clients are developing security policies and procedures based on international standards. A working group that includes ITO and client representatives met periodically to discuss needs and review draft policies. During the year, the working group approved new policies and procedures. However, at February 29, 2012, the work was not complete. For example, ITO was still working with clients to develop a data protection policy and a policy regarding responsibility for assets policy. Without complete policies and procedures, expectations may not be clear and assessments of whether clients are following the security controls cannot take place.

## 7.3 Monitor Whether the Service Provider Meets All Aspects of Agreed Upon Requirements

We recommended that the Information Technology Office monitor whether its service provider meets its security requirements. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

**Status** – We continue to make this recommendation.

ITO did not receive complete reporting on all key equipment or on its service provider's disaster recovery capacity.

Our expectation is that ITO will monitor its service provider to make sure the service provider is providing the services as agreed upon. Appropriate monitoring includes the receipt and timely review of security compliance and service level reports provided by the service provider. ITO needs complete reports to effectively monitor whether the service provider is meeting ITO's security requirements. Monitoring also includes periodically meeting with the service provider to discuss issues and evaluate whether the contractual requirements are being met. Appropriate monitoring would enable ITO to take timely corrective action to resolve weaknesses.

Senior management of ITO and the service provider met periodically during the year to discuss the services provided. Management staff also met regularly to discuss operational issues.

The service provider's reporting improved during the year. ITO now receives monthly reports from the service provider. The reports included information on system availability and service level statistics such as the number of work orders requested and completed. The service provider also provided ITO with periodic reports on compliance with specific security requirements.

The service provider's reports need further improvement. The security compliance reports received from the service provider did not address all key equipment. For example, servers are not included in compliance reporting. Also, ITO did not receive any reports on the service provider's disaster recovery capacity. As described later in this chapter, we found significant weaknesses with both server management and disaster recovery planning.

## 7.4 Provide Relevant and Timely Security Reports to Clients

We recommended the Information Technology Office provide relevant and timely security reports to its clients. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

ITO does not provide clients with adequate information on the operating effectiveness of its controls.

In Section 7.3, we note that ITO needs to effectively monitor its service provider. In the same way, ITO's clients need information from ITO to enable them to monitor the services provided by ITO. ITO's clients need to know that ITO – their service provider – is doing its job. Our expectation is that ITO will provide its clients with timely and relevant security reports to allow effective monitoring.

During the year, ITO continued to periodically meet with staff at client agencies to discuss service issues and ongoing operations. ITO also continued to provide risk assessment information to clients. However, ITO has not made improvements to the reports that it provides to its clients. The reports to clients do not outline ITO security controls in place or deficiencies with those controls. Accordingly, clients do not have adequate information on the potential impact that significant security weaknesses of ITO could have on their systems and data. Clients need this information to make decisions about how best to manage their systems and data.

## 7.5 Protect Systems and Data from Security Threats

We recommended the Information Technology Office protect its systems and data from security threats. (2006 Report – Volume 3; Public Accounts Committee agreement April 3, 2007)

**Status** – Weaknesses relating to access and managing key network and server equipment continue to exist. We have updated our reporting and recommendations in Sections 7.6 and 7.7 to more clearly describe the remaining weaknesses.

Securing client systems and data requires strong controls. This includes strong central controls, such as at the data centre. Without strong data centre controls, someone could gain unauthorized access, obtain confidential information, inappropriately modify systems or data, or perform malicious acts that could affect availability.

ITO's data centre includes several layers of controls designed to prevent unauthorized access. While many of these controls work effectively, some do not. ITO needs to improve its controls related to restricting access and managing key equipment. ITO has not made improvements to these controls during the audit period. The security controls required are generally accepted security practices for every data centre.

## 7.6 Adequately Restrict Access to Client Systems and Data

User access management controls should restrict access to authorized individuals and enforce strong password controls. ITO has documented processes for user access management. However, as with past audits, ITO did not consistently follow its processes for removing access for terminated users on a timely basis. Nor did it always enforce adequate password controls. For example, some passwords for network accounts do not expire. Weak password controls increase the possibility that a password may be compromised and used by an unauthorized person to gain system access.

1. **We recommend that the Information Technology Office of the Ministry of Central Services adequately restrict access to client systems and data.**

## 7.7 Adequately Configure and Update Server and Network Equipment

Network infrastructure supports communications between client locations and the data centre. Network infrastructure needs effective security controls to prevent unauthorized people from communicating with computers inside the data centre. The network infrastructure should also ensure communications between locations are secure.

Protecting data transmitted between the data centre and client locations requires a secure communications network or strong encryption processes. Highly confidential data may require both. As noted in our past reports, neither ITO nor its clients know whether the security controls in the existing network (CommunityNet) are adequate to meet their needs. Nor do ITO and its clients always encrypt confidential data.

The first layer of network infrastructure security is a firewall. A firewall decides whether to allow or block incoming and outgoing communications to the data centre. For example, a firewall policy would allow staff at the Ministry of Social Services head office to send communications to the data centre but should have other rules restricting data communications with other locations (e.g., foreign nations).

As noted in our past reports, ITO has implemented firewalls to protect its data centre. The network firewalls are in appropriate locations, updated, and monitored. However, the firewall policies need updating. Without adequate firewall policies, the risk of unauthorized access increases. We also note continuing issues with updating and monitoring firewalls that protect client locations.

Servers are computers that run applications and store client data. Properly secured servers restrict access to authorized users and receive timely updates for known security threats. ITO and the service provider have agreed-upon secure server configurations. However, consistent with previous audits, the agreed-upon configurations are not yet implemented. Also, some servers did not receive timely updates against known security threats during the audit period.

**2. We recommend that the Information Technology Office of the Ministry of Central Services adequately configure and update its server and network equipment to protect them from security threats.**

## 7.8 Complete Disaster Recovery Plan Required

We recommended the Information Technology Office have a disaster recovery plan for the data centre and client systems. (2006 Report – Volume 3; Public Accounts Committee agreement April 3, 2007)

**Status** – Not implemented.

ITO does not have a complete and tested disaster recovery plan.

A disaster recovery plan defines staff responsibilities and documents systems recovery processes. Our expectation is that ITO have an approved and tested disaster recovery plan.

Consistent with our past audits, ITO does not have a complete disaster recovery plan. ITO needs a complete plan that identifies who is responsible for what. ITO currently uses a service provider for the data centre. ITO's disaster recovery plan should accordingly set out responsibilities for both its staff and those of its service provider.

ITO's disaster recovery plan does not address client requirements for recovery of their systems and data. Clients rely on their systems and data to run their operations. If client systems become unavailable, client operations may be impaired or stopped completely. Currently, neither ITO nor clients know whether systems and data could be restored when needed in the event of a disaster. This could result in systems, data, and services being unavailable to the Government and the people of Saskatchewan.

# 8.0 GLOSSARY

**Account**—A unique identity set up on a computer or network that allows access to specific systems and data.

**Application**—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

**Backup** (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

**Change management**—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

**Configure**—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

**Data centre**—A central location for computer network hardware and software, especially storage devices for data.

**Disaster recovery plan**—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

**Encryption**—A method of putting information in code so that only authorized users will be able to see or use the information.

**Firewall**—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

**IT infrastructure**—An organization's computer and network assets.

**Network**—A group of computers that communicate with each other.

**Physical access controls**—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

**Server**—A computer that hosts systems or data for use by other computers on a network.

**User access controls**—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

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# 10.0 ITO CLIENT LIST

As of February 29, 2012

Ministry of Advanced Education, Employment and Immigration
Ministry of Agriculture
Ministry of Corrections, Public Safety and Policing
Ministry of Education
Ministry of Energy and Resources
Ministry of Environment
Ministry of Finance
Ministry of First Nations and Métis Relations
Ministry of Government Services
Ministry of Health
Ministry of Highways and Infrastructure
Ministry of Justice and Attorney General
Ministry of Labour Relations and Workplace Safety
Ministry of Municipal Affairs
Public Service Commission
Ministry of Social Services
Ministry of Tourism, Parks, Culture and Sport
Apprenticeship and Trade Certification Commission
Enterprise Saskatchewan
Executive Council
Global Transportation Hub Authority
Office of the Provincial Capital Commission
Office of the Provincial Secretary
Physician Recruitment Agency of Saskatchewan
Saskatchewan Legal Aid Commission
Saskatchewan Financial Services Commission
Saskatchewan Grain Car Corporation
Saskatchewan Housing Corporation
Saskatchewan Municipal Board
Technical Safety Authority of Saskatchewan

# Chapter 30
# Internal Audit in Ministries

## 1.0 MAIN POINTS

Internal audit is an important component of sound governance for public sector organizations. Internal audit provides value to governing bodies and senior management by providing an objective source of independent advice.

The Government of Saskatchewan funds a minimum of 30 internal audit positions in six ministries at an estimated cost of $2 million. Government ministries in Saskatchewan are not legislatively required to have an internal audit function. The decision of whether to have an internal audit function is left to each ministry. The Ministry of Health and the Ministry of Education, which make up a significant portion of government spending, do not have their own internal audit function.

We evaluated whether six internal audit functions followed best practices—the Standards set by The Institute of Internal Auditors (IIA). We found that internal audit in ministries often focuses on financial transactions rather than on key ministry risks, financial or otherwise. While we observed some good practices, we found many areas where internal audit did not comply with the IIA Standards.

Based on the result of our assessments, we believe that improvements are needed to ensure that value for money is achieved through effective internal audit work. We note that many provinces have a centrally-coordinated internal audit function and we suggest that the Ministry of Finance evaluate centralization and other models for use in Saskatchewan. Our first recommendation on this point should be considered prior to the Ministry addressing the other recommendations. This chapter contains seven recommendations to improve internal audit.

## 2.0 INTRODUCTION

The Institute of Internal Auditors defines internal audit as follows:

> Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes.[1]

The internal audit profession is governed globally by the IIA. The IIA publishes *The International Professional Practices Framework* (IIA Standards) for the work of internal audit. The IIA Standards outline both mandatory and strongly recommended guidance for internal audit.

In Saskatchewan, there is no legislative requirement for ministries to have an internal audit function. The decision of whether to have an internal audit function is left to each ministry. We identified where internal audit existed in ministries and evaluated whether they followed IIA Standards.

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[1] The Institute of Internal Auditors-*International Professional Practices Framework*, 2009, p. 2.

We determined that the ministries in **Figure 1** had internal audit functions as of May 25, 2012:

**Figure 1—Internal Audit Functions in Ministries**

| Ministry | Chief Audit Executive | Audit Committee Exists | Audit Committee Chair | Number of Internal Audit Positions | Type of Audit Work in 2011/12 |
|---|---|---|---|---|---|
| Advanced Education | Director | Yes | Deputy Minister | 5 | Risk-based (e.g., audit of the skills training benefit program) |
| Central Services | Director | No[3] | No[3] | 4 | Partially risk-based |
| Environment | None[1] | Yes | Deputy Minister | 2 | Partially risk-based |
| Finance | Director | No[4] | No[4] | 11* | Transaction focused (e.g., payments, payroll, revenue) |
| Justice | Unclear[2] | Yes | Deputy Minister | 4** | Transaction focused (e.g., revenue) |
| Social Services | Unclear[2] | Yes | Executive Director | 4 | Limited - investigation |

[1] – Environment does not have a CAE. There are only two internal auditors.
[2] – Ministry is unclear who CAE is. IA Charter was not clear.
[3] – Audit Committee does not exist. CAE does not report to Executive or Audit Committee.
[4] - Provincial Comptroller.
* - The Executive Director of the Financial Management Branch acting as Director of Internal Audit is included in this number.
** - A summer student position is included in this number.

The Ministry of Health has an internal audit position but does not conduct internal audit work.

The Ministry of Finance's internal audit function works under the Provincial Comptroller's Office as described in Section 8.3.2 below. Finance's internal audit function audits all ministries to assess financial and management controls.

The Ministry of Finance's mandate includes managing the financing, revenue and expenses of the Government in order to enhance the fiscal strength of the Province.[2] Therefore, improvements to the effectiveness of internal audit, risk management or internal controls for the Government would be the responsibility of the Ministry of Finance and we direct our recommendations accordingly.

## 3.0 VALUE OF INTERNAL AUDIT

Internal audit is an important component of sound governance for an organization. An independent and objective internal audit function provides a unique viewpoint and insights to senior management and the audit committee. Internal audit is able to provide this information because it is independent—that is, separate from operations—yet is part of the organization and able to understand the organization and its risks.

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[2] http://www.finance.gov.sk.ca/department-overview (accessed November 6, 2012)

Through risk-based planning, effective internal audit focuses available resources on the areas of highest risk considering an organization's overall strategic objectives, operations and resources. Risk-based internal auditing should highlight opportunities to increase efficiency and confirm or identify weaknesses in the operation of key controls. Internal audit should have a positive impact on process improvement within the organization and provide relevant information on best practices for management decision making.

Internal audit provides recommendations to assist organizations in achieving their goals and objectives. Implementation by management of internal audit recommendations, and monitoring of management progress by internal audit, is part of effective oversight.

## 4.0 SCOPE OF WORK

The objective of this project was to assess whether internal audit within ministries followed best practices (i.e., IIA Standards). The assessment focused on internal audit in ministries for the period April 1, 2011 to June 30, 2012.

As noted in Section 2.0, we confirmed that only six ministries have internal audit functions. We assessed the six ministries' internal audit functions and practices against the IIA Standards using the IIA's External Quality Assessment criteria. These criteria are designed to permit consistent evaluation of compliance with IIA Standards. We outline the Standards in Section 5.0. We provided internal audit in each of these ministries with the detailed results of our assessment. We summarize the results of our work and provide recommendations in Section 8.0.

## 5.0 ASSESSMENT CRITERIA

**Figure 2—Outline of IIA Standards**

The IIA Standards specify basic requirements for the professional practice of internal auditing. These include:

| | | |
|---|---|---|
| **1000** | **Purpose, Authority and Responsibility** | |
| | 1010 | Recognition of the Definition of Internal Auditing, Code of Ethics and the Standards in the Internal Audit Charter |
| **1100** | **Independence and Objectivity** | |
| | 1110 | Organizational Independence |
| | 1111 | Direct Interaction with the Board |
| | 1120 | Individual Objectivity |
| | 1130 | Impairment to Independence or Objectivity |
| **1200** | **Proficiency and Due Professional Care** | |
| | 1210 | Proficiency |
| | 1220 | Due Professional Care |
| | 1230 | Continuing Professional Development |
| **1300** | **Quality Assurance and Improvement Program** | |
| | 1310 | Requirements of the Quality Assurance and Improvement Program |
| | 1311 | Internal Assessments |
| | 1312 | External Assessments |
| | 1320 | Reporting on the Quality Assurance and Improvement Program |
| | 1321 | Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing" |
| | 1322 | Disclosure of Nonconformance |

Source: The Institute of Internal Auditors-*International Professional Practices Framework*

## 6.0 OVERALL CONCLUSION

The Government of Saskatchewan funds a minimum of 30 internal audit positions in six ministries at an estimated cost of $2 million. Based on the result of our assessments, we believe that improvements are needed to ensure that value for money is achieved through effective internal audit work.

The Internal Audit Capability Model is a framework that identifies the fundamental attributes required for effective internal auditing in the public sector (see **Figure 3** in Section 7.0). The results of our assessments found internal audit in ministries in Saskatchewan were at the early stages of the capability model. Moving towards uniform professional practices and oversight would increase effectiveness.

While we observed examples of good practices, we found many areas where internal audit did not comply with IIA Standards. We found examples, at the various ministries, of inappropriate reporting structures (such as a lack of independent chief audit executives and audit committees), absence of risk-based audit plans, untimely execution of audits, failure to complete audit plans, lack of supervision, limited reporting to audit committees (where these existed), and an absence of a formal quality assurance program. We found that internal audit activity in ministries focused on financial transactions. Also, two of the largest ministries, Ministry of Health and Ministry of Education do not have internal audit functions. We make several recommendations for improvements.

Most Canadian provinces have a central internal audit function. We suggest prior to addressing recommendations two to seven, that the Ministry of Finance consider recommendation one.

## 7.0 ASSESS ORGANIZATIONAL MODELS FOR INTERNAL AUDIT

We compared the results of our assessments of internal audit functions within the ministries to the Internal Audit Capability Model that is explained in more detail in **Exhibit 1** in Section 10.1. Our findings suggest that internal audit within ministries is at an early stage in the IIA Internal Audit Capability Model (**Figure 3**).[3] For example, internal audit functions are not effectively structured, audits are focused on financial transactions and professional practices are inconsistent. There are limited sustainable, repeatable capabilities in only a few ministries.

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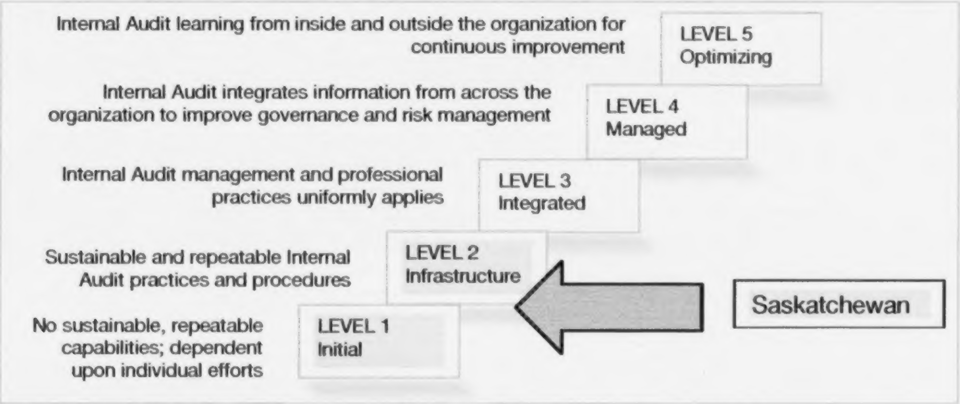
[3] Copyright 2009, The Internal Audit Capability Model (IA-CM) for the Public Sector by the Institute of Internal Auditors Research Foundation, 247 Maitland Avenue, Altamonte Springs, Florida 32701 – 4201 USA. Reprinted with permission.

**Figure 3—Internal Audit Capability Model—See Section 10.1 for Further Details**


Internal Audit learning from inside and outside the organization for continuous improvement
LEVEL 5 Optimizing
Internal Audit integrates information from across the organization to improve governance and risk management
LEVEL 4 Managed
Internal Audit management and professional practices uniformly applies
LEVEL 3 Integrated
Sustainable and repeatable Internal Audit practices and procedures
LEVEL 2 Infrastructure
No sustainable, repeatable capabilities; dependent upon individual efforts
LEVEL 1 Initial
Saskatchewan

Source: The Internal Audit Capability Model for the Public Sector developed by the IIA Research Foundation

There is no current forum for regular meetings to promote collaboration among internal audit functions in ministries. As well, there is no central body to oversee internal audit work performed across ministries that considers the appropriate structure, focus and delivery of internal audit. Improved communication, cooperation, sharing of best practices and leveraging of expertise and resources would improve the effectiveness of internal audit.

Our cross-Canada scan indicated that except for Quebec and Saskatchewan, all provinces that have internal audit functions have centralized them (see Section 9.0). A centralized delivery can offer benefits. An overall view of government ministries, their objectives, risks, governance and controls would guide a complete risk-based internal audit plan across all ministries.

As previously noted, there are some ministries in Saskatchewan with significant risks that do not have an internal audit function (e.g., Ministry of Health, Ministry of Education). Also, there are a minimum of 30 internal audit positions in six ministries, representing about $2 million in salaries. These internal auditors perform internal audit work focused on financial transactions, rather than carrying out internal audit projects based on key risks that would add value and help ministries achieve their objectives.

Centralization would reduce duplication of effort in some areas and provide audit services to ministries that do not have or cannot financially support an internal audit function. It would provide efficiencies as only one overall chief audit executive (CAE), one audit committee, and one risk-based audit plan would be needed. Centralization could promote consistency in quality of work and compliance with IIA Standards. In looking at centralization, there should be a thorough analysis of the pros and cons–keeping in mind that the current decentralized approach used is not working effectively.

1. **We recommend the Ministry of Finance evaluate various organizational models for internal audit.**

At a minimum, if the Government determines not to centralize internal audit, consideration should be given to an internal audit committee that identifies opportunities for improving internal audit within ministries and facilitates information sharing.

# 8.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

## 8.1 Purpose, Authority and Responsibility—Internal Audit Charters Need to Align with IIA Standards

> ***1000 Internal Audit Purpose, Authority and Responsibility***
>
> *IIA Standards outline the key pieces of an internal audit mandate in the form of an internal audit charter. In addition to defining the purpose, authority and responsibility, the internal audit charter should recognize the IIA definition of internal audit, code of ethics and standards.*

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The charter also establishes the positioning of internal audit within the organization thereby providing the authority for internal audit to access records and personnel in the course of its work. The charter also defines the nature of the activities of internal audit (e.g., assurance and/or consulting). It should be reviewed on a regular basis and approved by an audit committee.

We found that each of the ministries we examined with an internal audit function had an internal audit charter. However, the charters were not consistent. Review and updating of internal audit charters did not take place consistently across ministries. Where there was an audit committee in place, the charters had been approved. While the charters we reviewed defined internal audit, in most cases the definition was not consistent with the IIA definition of internal audit. Most ministry charters did not mention the IIA Code of Ethics. IIA Standards were noted in four charters but only one charter required an external quality assessment. The Ministry of Finance has recently begun developing a standard charter template for ministries to use.

2. **We recommend the Ministry of Finance implement a standard internal audit charter that aligns with Institute of Internal Auditors Standards.**

## 8.2 Independence and Objectivity—Effective Audit Leadership Needed

***1100 Independence and Objectivity***

*Internal audit independence and objectivity are required for internal audit to be able to carry out its responsibilities without bias or undue influence from management. Any impairment to either independence or objectivity must be disclosed to the appropriate parties.*

Fundamentally, internal audit provides value to governing bodies and senior management by providing an objective source of independent advice. This is accomplished through effective reporting relationships and risk-based internal audit plans approved by audit committees.

The internal audit function should have a chief audit executive (CAE). The CAE is the lead internal auditor in the organization. A CAE will often be part of a unique reporting structure as this person will report functionally to an audit committee and administratively to a member of senior management. An audit committee for a ministry would typically be comprised of the deputy minister and assistant deputy ministers. Having external independent members is also reasonable. The audit committee would provide guidance and support to internal audit, including approval of audit plans and input into internal audit goals and performance. Administrative reporting includes the approval of timesheets, expense claims, space and equipment requirements.

Our assessments within ministries revealed challenges regarding internal audit leadership both from a functional and administrative perspective. There were two ministries where it was not clear who the CAE was. One ministry did not have a CAE. For these three ministries, administrative reporting of the internal audit function was to an inappropriate level of management in the organization. When internal audit does not report to an appropriate (i.e., senior enough) level within a ministry, internal audit may not have access to the right information to conduct its risk-based planning. Additionally, internal audit may not be able to function independently and may become management-driven.

Internal auditors should typically issue reports at the end of each audit that summarize their findings, recommendations, and describe any response or action plan by management. CAEs typically report to audit committees quarterly and provide management's progress toward resolving issues. Timely, formal reporting provides clear recommendations and action plans to resolve issues identified.

In two ministries, we found that there was no audit committee. In another ministry, the CAE did not report to the audit committee. In one other ministry, only verbal updates were provided to the audit committee. Verbal reporting makes it difficult to determine if critical issues are brought forward. It also makes it difficult to consistently address recommendations or understand complex subject matter. In ministries where internal audit reported to an audit committee, we found that the audit committees were not always meeting on a quarterly basis and audit results were not completed or reported on a timely basis. Three out of six ministries needed to improve their follow-up process for monitoring management's progress on addressing internal audit recommendations.

An internal audit functions should be evaluated by the audit committee. In four ministries, there was no evaluation of the CAE by the audit committee.

Other jurisdictions have implemented independent audit committees in a public sector setting. Some provinces have established one overall CAE and an audit committee that is made up of deputy ministers from various ministries. In these provinces, while internal auditors are still working within individual ministries, they report to the one overall CAE. The audit results are then reported to each ministry and as well as to an overall audit committee. This structure promotes the independence of internal audit and makes it less vulnerable to management influence.

**3. We recommend the Ministry of Finance work with ministries to implement appropriate internal audit reporting structures to support effective internal audit.**

## 8.3 Proficiency and Due Professional Care—Improvements Needed

***1200 Proficiency and Due Professional Care***

*Internal audit engagements require knowledge and skills in order for the work to be performed with proficiency and due professional care.*

### 8.3.1 Proficiency-Assess Internal Audit Competencies

Internal auditors must possess professional skills and competencies to perform quality work. They must also have adequate knowledge of the organization in which they work.

There were 30 internal auditor positions at various levels within the six ministries we assessed. The size and allocation of internal audit resources was not consistent. We found in risk areas where there was no internal audit expertise (e.g., information technology) there were no audits conducted.

Professional development is a key component to increasing knowledge and capabilities. We found that each ministry with an internal audit function supported continuous improvement through training.

There were differences in the experience levels of staff between the six ministries, and job descriptions and job classifications were not consistent. Some internal auditors were required to have a professional designation while others were not.

**4. We recommend the Ministry of Finance work with ministries to ensure that internal auditors have appropriate competencies.**

### 8.3.2 Due Professional Care—Internal Audit Plans Should be Risk Based

Risk management is a key component in effective internal audit planning. Risk management encompasses the identification, assessment, prioritization and mitigation of risks. Risks can be ranked by considering the likelihood and impact of events on an organization (e.g., financial, legal, reputational). Risk assessments allow an organization to make decisions to reduce, avoid or accept the risks identified.

The results of risk assessments are critical to internal audit. They support the development of risk-based audit plans that focus resources on the highest risk areas of the ministry. Without a risk-based internal audit plan, internal audit may be focusing its efforts in the wrong areas.

In some ministries, internal audit led the risk assessment/risk management process. Other ministries relied on another division within the organization to lead risk management. Yet other ministries contracted with third parties for risk identification and ranking assistance.

Overall, we found that there was no consistent risk management methodology used in ministries. This is an area where shared methodology and shared results could achieve efficiencies.

5. **We recommend the Ministry of Finance and ministries collaborate on methodology and tools to support risk-based internal audit planning.**

The Provincial Comptroller's Office of the Ministry of Finance assists the Legislature and the Government in controlling and accounting for the receipt and disposition of public money. The Provincial Comptroller's Office is mandated to verify that ministries maintain appropriate financial and management controls and are properly accounting for their revenues and expenses.[4]

The internal audit function in Finance works to support the statutory responsibly of the Provincial Comptroller. We found that the work conducted by internal audit in Finance mainly consisted of risk assessments and audits of financial controls in the areas of payroll, payments and revenue. There is little input from ministries on the scope of work done. Results were provided to ministries and reported to the Provincial Comptroller.

We found limited evidence of collaboration or coordination of efforts between internal audit in various ministries or with the Provincial Comptroller's Office. In some cases, the same financial risk area was audited by ministry internal audit and by the Provincial Comptroller's Office.

Some ministries had their internal audit functions conduct financial transaction audits rather than risk-based or operational audits. Other key risks may have related to controls over program delivery and major ministry projects, but these were not given audit attention. Internal audit plans should consider emerging risks and trends in government as they pertain to the specific ministry and government as a whole. An effective risk-based audit plan integrates environmental scans, emerging issues, risk assessments and strategic goals into the audit plan. Internal audit can play a critical role in providing assurance to management in these key areas.

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[4] http://www.finance.gov.sk.ca/Default.aspx?DN=b7318a7a-f397-42fc-9245-dcc4c849c98a.

6. **We recommend the Ministry of Finance work with ministries to develop risk-based internal audit plans.**

## 8.4 Quality Assurance and Improvement Program Required

***1300 Quality Assurance and Improvement Program***

*Internal audit must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.*

Internal audit should continuously monitor its effectiveness. Quality assurance assessments reduce the risk of inconsistent or unacceptable quality. The IIA Standards indicate the CAE must develop and maintain a quality assurance and improvement program that covers all aspects of internal audit activity. The IIA Standards also require that an external quality assessment take place once every five years. Assessment results must be reported to the audit committee.

We found that internal audit functions within ministries did not have formal quality assurance programs. For example, there were no formal surveys sent to managers after each audit engagement or annually to an audit committee. Surveys could evaluate such dimensions as professionalism, quality, timeliness, utility of meetings, and quality of status updates.

Prior to our assessment, no internal audit function within a ministry had received a quality assurance review. Quality assurance reviews would help ministries evaluate compliance with IIA Standards and identify opportunities to improve internal audit performance and services. Also, we found some ministries had internal auditors performing audits with no supervision or review of files.

IIA Standards require disclosure to the audit committee of nonconformance with the IIA Code of Ethics or Standards. As noted above, ministries did not always fully comply with the IIA Standards; however, there were no disclosures made by ministries of nonconformance.

7. **We recommend the Ministry of Finance implement effective quality assurance programs for internal audit.**

# 9.0 INTERNAL AUDIT ACROSS CANADA

**Figure 4** shows the structure of internal audit in other Canadian provinces. Seven of the nine provinces in Canada that have internal audit have centralized this function. Five of these seven provinces have a central audit committee.

**Figure 4—Internal Audit Across Canada**

| Province | Internal Audit Model Structure | Chief Audit Executive | Audit Committee Exists | Audit Committee Chair |
|---|---|---|---|---|
| British Columbia | Centralized | Assistant Deputy Minister Internal Audit and Advisory Services | Yes | Minister of Finance |
| Alberta | Centralized | Chief Internal Auditor | Yes | Deputy Minister |
| Saskatchewan | Decentralized | Varies across ministries | Varies | Varies |
| Manitoba | Centralized | Director Internal Audit and Consulting Services | Yes | Deputy Minister |
| Ontario | Centralized | Chief Internal Auditor and Assistant Deputy Minister | Yes | Deputy Minister |
| Quebec | Decentralized | Varies across ministries | Varies | Varies |
| Newfoundland | Centralized | Director of Professional Services and Internal Audit | No | No |
| Nova Scotia | Centralized | Executive Director Internal Audit | Yes | Deputy Minister |
| New Brunswick | Centralized | Comptroller acts as the provincial CAE | No | No |
| Prince Edward Island | No Internal Audit | N/A | N/A | N/A |

Source: Information collected by Provincial Auditor Saskatchewan, Fall 2012

# 10.0 EXHIBITS

## 10.1 Internal Audit Capability Model

The capability levels in the Internal Audit Capability Model provide a road map for continuous improvement within an internal audit activity.

### Exhibit 1—Internal Audit Capability Model for the Public Sector[5]

| Description of the Capability Levels | |
|---|---|
| **5—Optimizing** | —IA is a learning organization with continuous process improvements and innovation.<br>—IA uses information from inside and outside the organization to contribute to achieving strategic objectives.<br>—World-class/recommended/best practice performance.<br>—IA is a critical part of the organization's governance structure.<br>—Top-level professional and specialized skills.<br>—Individual, unit, and organizational performance measure are fully integrated to drive performance improvements. |
| **4—Managed** | —IA and key stakeholders' expectations are in alignment.<br>—Performance metrics are in place to measure and monitor IA processes and results.<br>—IA is recognized as delivering significant contributions to the organization.<br>—IA functions as an integral part of the organization's governance and risk management.<br>—IA is a well-managed business unit.<br>—Risks are measured and managed quantitatively.<br>—Requisite skills and competencies are in place with a capacity for renewal and knowledge sharing (within IA and across the organization). |
| **3—Integrated** | —IA policies, processes, and procedures are defined, documented, and integrated into each other and the organization's infrastructure.<br>—IA management and professional practices are well established and uniformly applied across the IA activity.<br>—IA is starting to align with the organization's business and the risks it faces.<br>—IA evolves from conducting only traditional IA to integrating as a team player and providing advice on performance and management of risks.<br>—Focus is a team building and capacity of the IA activity and its independence and objectivity.<br>—Generally conforms to the Standards. |
| **2—Infrastructure** | —Key question or challenge for Level 2 is how to establish and maintain repeatability of processes and thus a repeatable capability.<br>—IA reporting relationships, management and administrative infrastructures, and professional practices and processes are being established (IA guidance, processes, and procedures).<br>—Audit planning based principally on management priorities.<br>—Continued reliance essentially on the skills and competencies of specific persons.<br>—Partial conformance with the Standards. |
| **1—Initial** | —Ad hoc or unstructured.<br>—Isolated single audits or reviews of documents and transactions for accuracy and compliance.<br>—Outputs dependent upon the skills of the specific person holding the position.<br>—No professional practices established other than those provided by professional associations.<br>—Funding approval by management, as needed.<br>—Absence of infrastructure.<br>—Auditors likely part of a larger organizational unit.<br>—Institutional capacity is not developed. |

Source: The Internal Audit Capability Model for the Public Sector developed by the IIA Research Foundation.

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# Chapter 31
# Managing the Risks and Cleanup of Oil and Gas Wells

## 1.0 MAIN POINTS

Saskatchewan's oil and gas industry is a major contributor to the provincial economy. In 2011, it contributed $12.7 billion in oil and gas sales and employed 33,200 person years in direct and indirect employment.

Oil and gas development does not come without financial and environmental costs. The Ministry of the Economy (Ministry) currently estimates that the overall future environmental cleanup costs of existing oil and gas wells and facilities could total $3.6 billion. The owners of the wells and facilities (licensees) are responsible for the cleanup of their wells and facilities. The Ministry is responsible for ensuring licensees properly handle the clean up. If the licensees fail to clean up their wells and facilities, the costs of the cleanup could potentially fall on Saskatchewan residents. As of July 31, 2012, Saskatchewan had 87,000 oil and gas wells and 5,300 facilities. The Ministry estimates that there are potentially 700 wells and facilities where the licensees have ceased to exist or no longer can be located. As well, over 5,800 wells have been inactive for over 10 years or more.

The Ministry's mandate includes both promoting the development of the oil and gas industry and regulating the industry on environmental matters. Accordingly, there is a potential risk of an imbalance between the Ministry's two roles. For example, there is a risk that the Ministry's efforts to develop the industry may override its efforts to protect the environment. In the 2011-12 year, the Ministry collected $1.7 billion from oil and gas sales and land rights sales.

The objective of our audit was to assess whether the Ministry had effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities. We concluded that, as of September 30, 2012, the Ministry did not have effective processes.

To effectively manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and facilities, the Ministry needs to:

- Assess and allocate the resources and skills needed to manage the future cleanup
- Use current trend analysis and estimates to monitor, assess and report on the financial and associated environmental risks
- Manage the financial and associated environmental risks related to the timely cleanup of inactive wells and facilities
- Estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the Government's financial statements
- Report on its effectiveness to the Legislative Assembly and the public in managing the financial and associated environmental risks

- Assess the need for extending its sample of independent audits on the cleanup of well sites and facilities
- Complete its assessment of the financial and associated environmental risks of legacy well sites, assess its liability, and develop a plan to clean up contaminated legacy well sites

In addition, the Ministry needs to:

- Actively mitigate the risks resulting from the Ministry being responsible for both the promotion of the development of the oil and gas industry and for the protection of the environment, property, and the safety of the public

## 2.0 INTRODUCTION

The Ministry of the Economy (Ministry) works to achieve the sustainable development of Saskatchewan's diverse energy, mineral and forestry resources, including oil, natural gas, potash, and uranium.[1] *The Oil and Gas Conservation Act* and *The Oil and Gas Conservation Regulations, 2012*, require the Ministry to regulate all operations related to the production of oil and gas including the protection of the environment, property, and the safety of the public.

Saskatchewan's oil and gas industry is a major contributor to the provincial economy. In 2011, it contributed $12.7 billion in oil and gas sales and employed 33,200 person years in direct and indirect employment. In the 2011-12 fiscal year, the Ministry collected $1.7 billion from oil and gas royalties and land rights sales.[2]

Oil and gas development does not come without financial and environmental costs. The Ministry currently estimates that the overall future environmental cleanup costs of existing oil and gas wells and their associated facilities[3] (collectively referred to as "wells and facilities") could total $3.6 billion. The owners (referred to as licensees[4]) of the wells and facilities are responsible for their cleanup and therefore are responsible for the potential cost of $3.6 billion. The Ministry is responsible for ensuring licensees properly clean up their wells and facilities.

There is a future risk that a portion of the $3.6 billion may be borne by the Ministry and hence Saskatchewan residents. This is because some licensees may not have sufficient financial means to clean up their wells and facilities or they may not be identifiable or locatable when cleanup is needed. When this is the case, such wells and facilities are referred to as orphaned wells and facilities. The Ministry has established three programs to deal with the risk of orphaned wells and facilities. These programs are: the Licensee Liability Rating Program (LLR program), the Orphan Abandonment Program (OA program), and the Acknowledgement of Reclamation Program (AOR program). These programs are designed to help ensure licensees pay for the future cleanup costs of wells and facilities, including orphaned wells and facilities, thereby reducing the financial and associated environmental risks to Saskatchewan residents. The Ministry implemented the LLR program in April 2009 and the OA and AOR programs in 2010. See Section 7.0 for a description of the programs.

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[1] Ministry of Energy and Resources. (July 2012). *Saskatchewan Energy and Resources 2011-12 Annual Report*, p. 7.

[2] Ministry of the Economy. (May 2012). *Saskatchewan Resources*, p. 2. http://www.er.gov.sk.ca/adx/aspx/adxGetMedia.aspx?DocID=10848,10846,5460,2936,Documents&MediaID=40702&Filename=Oil+and+Gas+May+2012.pdf (6 September 2012)

[3] Facilities include oil well batteries, gas well batteries, disposal injection facilities, waste facilities, and gas plants and compressor facilities.

[4] S. 2(1)(h.2) of *The Oil and Gas Conservation Act* defines licensee as a person who holds a license and includes a trustee or receiver-manager of property of a licensee. The Well License application indicates that a person is not eligible to be issued a license unless they are a working-interest participant and are entitled to the right to produce.

In this chapter, we report the results of our audit on whether the Ministry had effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and their related facilities. We wanted to know:

- What are the financial risks to Saskatchewan residents?
- What are the environmental risks and costs?
- Is the Ministry effectively managing these risks and costs?
- Does the Ministry have a liability for the cleanup of wells and facilities that should be recorded in the Government's summary financial statements?
- Does the Ministry provide sufficient information in its reports to the Legislative Assembly and the public on its management of these risks and costs?

## 3.0 ENVIRONMENTAL RISKS AND WELL CLEANUP

Wells and facilities pose a number of environmental risks that need be addressed by the cleanup process. The environmental risks include:

**Contamination of aquifers.** The well hole provides a pathway for fluid and gas contaminants (e.g., salts, oil and gas hydrocarbons) contained in geological layers below the ground to migrate to other porous layers such as aquifers. Saskatchewan has extensive aquifers and we rely on them heavily for our water needs. If aquifers become polluted, the water could become unusable and it could be impossible to remove the contaminants in the aquifers.

**Pollution of surface water and air.** The well hole also provides a pathway for contaminants to escape from the ground polluting our surface water (e.g., lakes and streams) and the air we breathe. These pollutants are a risk to public health and safety and to wildlife.

**Contamination of soil.** The soil at the well site may become contaminated due to accidental spills or careless operating practices. These contaminants can include high concentrations of toxins such as salt, oil, and sour gas residues. These contaminants need to be removed to prevent ongoing pollution of surface water and to return the land to its original or equivalent use.

In this chapter, well cleanup means **well abandonment** and **well site reclamation**. Well abandonment involves permanently squeezing cement into any perforated intervals in the well hole and filling the hole with cement to prevent any subsurface formation containing gas or fluids from leaking below ground or escaping above the ground. Well site reclamation involves removing all facilities (equipment and structures), remediating contaminated soils and/or groundwater, and returning the site to its original or equivalent condition.

**Inactive wells and facilities** are wells and facilities that have not reported any production, injection, or disposal activities for a period of 12 consecutive months or longer. Inactive wells and facilities are not the same as orphaned wells and facilities. Inactive wells and facilities are owned by active licensees who are responsible for the associated cleanup costs. **Well suspension** means temporarily plugging inactive wells to prevent leakage.

## 4.0 SASKATCHEWAN'S OIL AND GAS WELLS AND FACILITIES

As of July 31, 2012, Saskatchewan had 87,000[5] oil and gas wells and 5,300 facilities. Of the 87,000 wells, 58,000 were active wells (i.e., producing oil and gas), 24,000 were non-producing and the remaining 5,000 wells were abandoned (i.e., wells permanently sealed up) but the sites have not yet been reclaimed. Of the 24,000 non-producing wells, 9,700 are wells that have been inactive for five or more years.

These wells and facilities are owned by 447 licensees with the largest 10 licensees owning 65,000 wells and 3,200 facilities.

Licensees must have a license issued by the Ministry before they can drill a well, extract oil and gas, or build a facility. When the well is no longer of economic value, the licensee is responsible for its cleanup.

Saskatchewan's oil and gas industry is growing at a rapid rate. The growth is attributable to advances in technology (e.g., horizontal drilling and fracking[6] in the south east of the province), and royalty incentives. The rapid growth in the number of wells and facilities increases the importance of the Ministry's programs to manage the financial and associated environmental risks related to the future cleanup of wells and facilities.

Based on Ministry data, the number of new wells drilled in Saskatchewan has increased by 10,000 or 15% over the last five years. However, over the same period, the number of non-producing wells has increased at a faster rate, by 31% (7,000 wells).

Ensuring the timely cleanup of wells and facilities is challenging for the Ministry. Only about 13%[7] of the existing oil in Saskatchewan is recoverable using current extraction methods. With 87% of the oil not currently recoverable, the industry hopes to recover more using yet to be developed technologies. As a result, licensees have many inactive wells and facilities that may be inactive for long periods of time. However, there are also inactive wells that have little likelihood of producing oil or gas in the future.

For the Ministry to be successful at limiting financial and associated environmental risks to Saskatchewan residents, it needs to address the risks posed by wells and facilities that need to be cleaned up now or in the future. When oil and gas production eventually declines and the industry is less profitable, licensees may no longer have the money to pay for the cleanup of wells and facilities. The financial burden could then fall on

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[5] As of July 31, 2012, 110,000 wells have been drilled in Saskatchewan with 23,000 wells abandoned and cleaned up.

[6] Fracking is a technique used to release petroleum, natural gas (including shale gas, tight gas and coal seam gas), or other substances for extraction using hydraulic pressure and fluids. The fractures are created from the wellbore drilled into the reservoir rock formation.

[7] The Ministry of the Economy. (May 2012). *Saskatchewan Resources*, p. 2. http://www.er.gov.sk.ca/adx/aspx/adxGetMedia.aspx?DocID=10848,10846,5460,2936,Documents&MediaID=40702&Filename=Oil+and+Gas+May+2012.pdf (6 September 2012)

Saskatchewan residents. Therefore, the Ministry's programs must be well managed to help ensure well and facility cleanup is timely.

## 5.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of our audit was to assess whether the Ministry had effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities for the period of October 1, 2011 to September 30, 2012.

We studied the financial and associated environmental risks related to the cleanup of wells and facilities and assessed their significance to Saskatchewan's oil and gas industry. We examined the Ministry's legislation, its processes for identifying and assessing the risks, and its programs and objectives for managing the risks, including its work plans for carrying out its programs. We also examined the Ministry's reporting to the Legislative Assembly and the public on its performance in managing these risks.

To conduct this audit, we followed the *Standards for Assurance Engagements published in the CICA Handbook - Assurance*. To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Ministry agreed with the criteria in **Figure 1**.

**Figure 1—Audit Criteria**

To have effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities, the Ministry should:

1. **Set clear objectives and responsibilities**
    - 1.1. Identify and assess financial and environmental risks
    - 1.2. Set objectives
    - 1.3. Define roles and responsibilities
2. **Implement programs to mitigate financial and environmental risks**
    - 2.1. Establish policies and procedures for programs
    - 2.2. Communicate requirements to licensees
    - 2.3. Allocate resources (staff and dollars)
    - 2.4. Set and carry out work plans for the programs
3. **Monitor and report results**
    - 3.1. Set performance measures and targets
    - 3.2. Analyze effectiveness
    - 3.3. Publically report on performance
    - 3.4. Propose revisions to programs based on assessments

**We concluded that, as of September 30, 2012, the Ministry of the Economy did not have effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities. The Ministry needs to:**

- **Assess and allocate the resources and skills to effectively manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities**

- **Use current trend analysis and estimates to monitor, assess, and report on the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities**

- **Assess the need for extending its independent audits to sample licensees' well sites whose reclamation reports contained no anomalies and/or discrepancies**

- **Report on its effectiveness to the Legislative Assembly and the public in managing the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities**

- **Estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the Government's financial statements**

- **Manage the financial and associated environmental risks related to the timely cleanup of inactive wells and facilities**

- **Complete its assessment of the financial and associated environmental risks of legacy well sites, assess its liability, and develop a plan to clean up contaminated legacy well sites**

**In addition, we concluded that the Ministry should:**

- **Actively mitigate the risks resulting from the Ministry being responsible for both the promotion of the development of the oil and gas industry and for protecting the environment, property, and public safety**

As previously noted, the Ministry has worked closely with the oil and gas industry to establish its three programs to manage some of the key financial and associated environmental risks related to the future cleanup of wells and facilities. We found the three programs had clear objectives and defined policies and procedures, and the Ministry carried the programs out in accordance with the programs' governing legislation. However, as of September 30, 2012, the Ministry has made slow progress in cleaning up orphaned wells and facilities.

## 6.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) in italics and our key findings along with related recommendations.

### 6.1 Clear Objectives and Responsibilities

*We expected the Ministry of the Economy to:*

- *Identify and assess financial and environmental risks*

- *Set objectives*

- *Define roles and responsibilities*

In 1989, Saskatchewan established the Oil and Gas Environmental Fund (Fund) to provide money for the cleanup of orphaned wells and facilities and to allow government to respond to major spills and environmental problems. A one-time fee of $100 per well was assessed to a maximum of $20,000 per licensee. At March 31, 2007, the Fund had net assets of $3.0 million and none of its funds had been used. From 1989 to 2007, no work was done to identify and clean up orphaned wells[8] even though the Ministry had estimated there were 700 wells throughout the Province that could potentially be orphaned.

From 1999-2007, the Ministry carried out an extensive consultation process with industry representatives. The Ministry wanted to help prevent the growth in the number of orphaned wells and facilities and to mitigate the risks of Saskatchewan residents being left with the cleanup costs. The Ministry also consulted with officials from the governments of Alberta and British Columbia who faced similar risks from orphaned wells and facilities. Alberta had set up similar programs to help address the risks so the Ministry was able to draw on Alberta's experience.

The Ministry and industry representatives set up an Orphan Well and Facility Liability Management Program Advisory Committee in 2005 to identify and assess the risks.

The risks posed by wells and facilities include:

- Licensees going out of business and leaving their wells and facilities as orphaned
- Licensees without sufficient resources to pay for the cleanup of their wells and facilities
- Licensees transferring (selling) their uneconomic wells and facilities to companies or individuals who are unable to pay the costs of cleaning up their wells and facilities
- Licensees walking away from their wells and facilities including their cleanup responsibilities because regulatory programs become too onerous and/or inflexible
- Licensees deferring the costs of cleanup by maintaining their wells and facilities as inactive
- Licensees' cleanup practices not meeting acceptable environment standards

The Committee made a number of recommendations based on its risk assessment. As a result, the Ministry recommended the implementation of a $20,000 first-time licensing fee, new licensing requirements for facilities, and the establishment of three programs: the Licensee Liability Rating Program (LLR program), the Orphan Abandonment Program (OA program) and the Acknowledgement of Reclamation Program (AOR program). The Ministry's legislation was amended on June 19, 2007 implementing the first-time licensing fees, licensing requirements for facilities, and setting out the objectives of the programs. The legislation governing the programs was further amended effective April 1, 2009 and again on April 1, 2012.

The LLR program was implemented in 2009. The OA program and AOR programs followed in 2010. Section 7.0 provides a summary of each program and sets out their objectives.

In 2007, the regulations set up a new Orphan Fund Advisory Committee (Committee) made up of representatives from the Ministry and the industry. It continues to meet regularly to review ongoing risks and the effectiveness of the programs. For example, risks posed by inactive wells and facilities. Section 6.3 describes the Ministry's progress on addressing the risks posed by inactive wells and facilities. This ongoing consultation helps the Ministry to identify and make program improvements.

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[8] *The Oil and Gas Conservation Act* before 2007 did not include the licensing of facilities.

The Ministry has set out its roles and responsibilities and those of the licensees. This is done through the prescriptive nature of the programs' legislation and through program guides and directives developed by the Ministry. The Ministry provides these guides and directives to licensees and makes them available on its website.

The Ministry's mandate includes both promoting the development of the oil and gas industry and regulating the industry regarding environmental matters. The Ministry of Environment is not involved in regulating environmental matters relating to wells and facilities.

There is a potential risk of an imbalance between the Ministry's two roles. For example, there is a risk that the Ministry's efforts to develop the industry may override its efforts to protect the environment. The cleanup of wells and facilities may be an example of an imbalance. The Ministry's royalty programs have contributed to the growth in the number of oil and gas wells and facilities. However, the Ministry is making slow progress cleaning up orphaned wells and facilities.

1. **We recommend the Ministry of the Economy actively mitigate the risks resulting from the Ministry being responsible for both the promotion of the development of the oil and gas industry and for the protection of the environment, property, and the safety of the public.**

## 6.2 Mitigation of Financial and Environmental Risks Needs Improvement

*We expected the Ministry of the Economy to:*

- *Establish policies and procedures for programs*
- *Communicate requirements to licensees*
- *Allocate resources (staff and dollars)*
- *Set and carry out work plans for the programs*

The Ministry has policies and procedures for its three programs. It communicates these policies and procedures to licensees in program guides and directives. In addition, the Ministry makes presentations on its programs at industry conferences and events. These presentations are on its website.

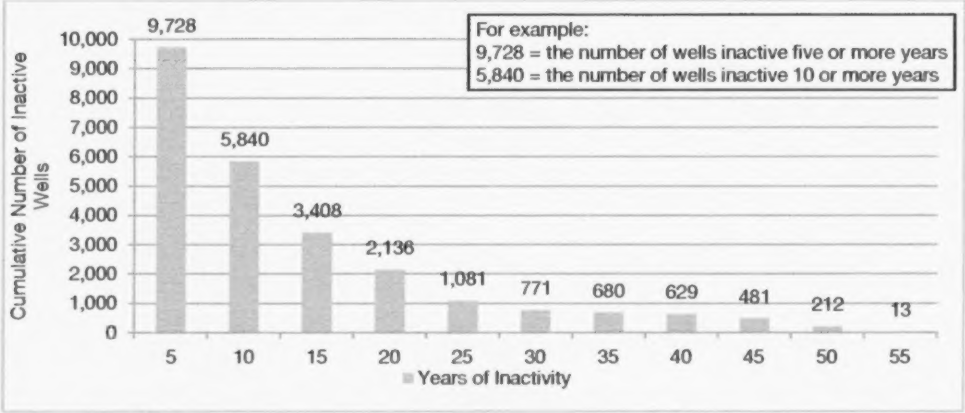
The Ministry's program staff are responsible for managing the risks associated with the cleanup of wells and facilities. They are involved in the development of the programs and their policies and procedures. Consequently, they are familiar with them. Staff job descriptions set out their responsibilities.

The Ministry allocates resources to carry out these programs. However, the Ministry may not be assigning sufficient staff with the proper experience and skills (e.g., engineering, environmental, legal, accounting) to carry out its three programs. For example, the Ministry has assigned only one person to identify and verify orphaned wells and facilities and to contract for the abandonment and reclamation services needed to clean them up. In the past two years, the Ministry has only cleaned up 10 of the 700 wells and facilities that could be potentially orphaned.[9] This rate of progress is inadequate and suggests the Ministry has not assigned sufficient staff with the necessary skills to carry out its programs.

In addition, program staff have not maintained current estimates on cleanup costs and updated key analysis of risk trends. For example, the Ministry's estimate of $26 million for cleaning up the 700 wells and facilities that could potentially be orphaned is more than five years old. Also, the Ministry did not maintain a current analysis of the age of inactive wells. This kind of analysis is critical for monitoring risk trends and identifying wells that should be cleaned up. Incomplete information and inaccurate estimates increase the risk of incorrect decisions and/or missed opportunities.

In 2005, the Ministry performed an analysis of inactive wells. We asked the Ministry to prepare a current analysis showing the years of inactivity for inactive wells. This analysis is shown in **Figure 2**. **Figure 2** shows that there are 9,728 wells that have been inactive (i.e., no production) for five or more years. It also shows that of these 9,728 inactive wells, 5,840 have had no production for 10 or more years. It is likely that wells that have had no production for 10 or more years will not produce again. Consequently, the cleanup costs of these wells are potentially being unnecessarily deferred by the licensees.

**Figure 2—Cumulative Number of Inactive Wells and Years of Inactivity**



For example:
9,728 = the number of wells inactive five or more years
5,840 = the number of wells inactive 10 or more years

Source: Ministry of the Economy.

2. **We recommend the Ministry of the Economy assess and allocate the resources and skills necessary to effectively carry out the Licensee Liability Rating Program, the Orphan Abandonment Program (including the timely cleanup of orphaned wells and facilities), and the Acknowledgement of Reclamation Program.**

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[9] Ministry of Energy and Resources. (July 2012). *Oil and Gas Orphan Fund 2011-12 Annual Report*, p. 5.

**3. We recommend the Ministry of the Economy use current estimates and trend analysis to monitor, assess, and report on the risks and associated costs of the future cleanup of wells and facilities.**

The Ministry uses annual work plans to help ensure fees, levies, and security deposits are correctly assessed and collected, and its programs are properly carried out.

We tested the effectiveness of its work plans. We noted the following:

### First-time Licensing Fees

The Ministry correctly assesses and collects first-time licensing fees. The 2007 increase in the fees helps to deter companies or individuals with insufficient financial means from owning and operating wells and facilities in Saskatchewan.

### Liability Licensee Rating Program (LLR program)

The LLR program is designed to mitigate the risk of the cleanup costs for wells and facilities being passed on to Saskatchewan residents. It does this by requiring security deposits from licensees who may not have the financial ability to pay for their future cleanup costs. Also, if a licensee becomes unable to pay its cleanup costs, the OA program can use the security deposits collected from this licensee to help pay the cleanup costs. We note that the security deposits received to date are not sufficient to cover the short-fall between the productive value of a well and its future cleanup costs. This is because of the program's phase-in provision described below.

The Ministry carries out the LLR program in accordance with its governing regulations and guidelines. The Ministry correctly calculates the LLR security deposits monthly. For example, the Ministry determines the production value of each well and facility using verified data from the Ministry's Production and Disposition System. In addition, the Ministry correctly calculates the higher security deposits required when licensees transfer (sell) wells and facilities to other licensees. The higher security deposits are to deter the transfer of wells and facilities to companies or persons who do not have the financial ability to pay for the cleanup.

The Ministry complies with the program's phase-in provisions. The phase-in provisions were designed to make the program more flexible for licensees. For example, licensees are permitted to pay their security deposits over the four year phase-in period (25% each year). In addition, for the phase-in period, the Ministry agreed to use its 2006 abandonment and reclamation cost tables for estimating cleanup liabilities. This phase-in provision helps shield licensees from higher security deposits caused by rising cleanup costs. The phase-in period ends March 31, 2013.

Although the Ministry correctly uses the 2006 cost estimates for calculating security deposits during the phase-in period, the Ministry has not kept cost estimates current for its own management purposes. The cost tables are critical for estimating cleanup liabilities and, therefore, to the Ministry in managing its risks and reporting on its programs. Earlier in this chapter, we recommend that the Ministry use current estimates for managing its risks (see recommendation #3).

The Ministry monitors the security deposit collection rate and follows its established procedures for collecting outstanding amounts. As of September 30, 2012, 21% ($7.5 million) of the security deposits billed to date remain uncollected. Those licensees who have not paid their security deposits may be in financial difficulty and at increased risk of not being able to pay for the future cleanup costs of their wells and facilities. Therefore, these wells and facilities are at increased risk of becoming orphaned.

### Orphan Abandonment Program (OA program)

The Ministry complies with the OA program's governing legislation and guidelines in carrying out the program. The money in the Ministry's Oil and Gas Orphan Fund (Orphan Fund) is used only for the purposes set out in the OA program's legislation.

The Ministry correctly calculates the levies charged to licensees. It monitors collection rates and follows its established procedures for collecting outstanding amounts. As of September 30, 2012, only two per cent (or $18,000) of levies due are outstanding.

The Ministry follows its established procedures for procuring services to clean up orphaned wells and facilities. These procedures include tendering for services and selecting winning bids using a grading system.

The OA program is designed to finance the cleanup of orphaned wells and facilities. To date, the Ministry has made little progress in fulfilling this mandate. For example, since the start of the program in April 2010, the Ministry has only cleaned up 10 orphaned wells and facilities and completed the legal process for deeming 21 wells and facilities as orphaned. The Ministry estimates there are 700 wells and facilities that could potentially be orphaned in Saskatchewan. There is a risk that the number of orphaned wells and facilities will increase faster than the Ministry's rate of cleaning them up.

Later in this chapter, we recommend that the Ministry estimate and record its liability for cleaning up orphaned wells and facilities in its financial records. Increasing the OA program's capacity to cleanup orphaned wells and facilities will improve the Ministry's ability to manage its unfunded liability. This is because the financing for cleaning up orphaned wells and facilities primarily comes from levies charged to licensees. The amount of levies the Ministry charges is based on the amount of cleanup work it plans in a year. If little work is planned, the Ministry collects fewer levies from the industry to fund its unfunded liability. Also, the Ministry's unfunded liability will grow if the rate of cleanup does not exceed the rate of growth in orphaned wells and facilities.

### Acknowledgement of Reclamation Program (AOR program)

The AOR program is designed to ensure licensees clean up their wells and facilities in accordance with the Ministry's site remediation standards.

When licensees complete site remediation work, the AOR program requires them to hire independent third-party consultants to prepare and submit reclamation reports to the Ministry. The Ministry performs desk reviews of all reclamation reports to determine if licensees have met standards. If errors or anomalies exist in the reports, the Ministry carries out field work and/or audits using its own third-party consultants. Once discrepancies are resolved and/or deficiencies are corrected by licensees, the Ministry issues the AOR certificates. The certificate confirms licensees have met the Ministry's well site remediation standards.

Since 2010, the Ministry reports that it has issued 540 AOR certificates under the program and has carried out 11 audits.

The Ministry's oversight of the cleanup done under the AOR program is primarily limited to reviewing licensees' reclamation reports. The Ministry's onsite inspections and/or independent audits are confined to sites where desk reviews identified anomalies and/or discrepancies. The extent of this oversight may not be sufficient to assure the Ministry that all licensees' are properly restoring their well sites. As an oversight check on reports submitted, good management practices suggest the Ministry should extend its current independent audit practices to include licensees' sites whose reclamation reports contained no anomalies and/or discrepancies.

4. **We recommend the Ministry of the Economy assess the need for extending its independent audit practices to sample licensees' well sites whose reclamation reports contained no anomalies and/or discrepancies.**

## 6.3 Monitoring and Reporting Results Needs Improvement

*We expected the Ministry of the Economy to:*

- *Set performance measures and targets*
- *Analyze effectiveness*
- *Publicly report on performance*
- *Propose revisions to programs based on assessments*

The Ministry reports information to the Legislative Assembly and the public in two annual reports. The Ministry of Energy and Resources' *2011-12 Annual Report* and the Ministry of Energy and Resources – *Oil and Gas Orphan Fund 2011-12 Annual Report* provide the information summarized in **Figure 3**.

**Figure 3—Annual Report Information Summary**

**Ministry of Energy and Resources 2011-12 Annual Report**

The Report includes:

- The number of orphaned wells abandoned during the reporting period (seven)
- The total wells and sites decommissioned, abandoned and reclaimed since inception of the program (10)
- The security deposits collected during the reporting period ($18.51 million)
- The total security deposits held under the program since inception of the program ($39.6 million)

This information is reported under the Ministry's key action strategy "Continue to manage the environmental risk and liability associated with oil and gas wells and related facilities through the Orphan Fund Program." This action strategy is a part of the Ministry's strategy for "Ensuring the sustainable development of petroleum and mineral resources."

**Ministry of Energy and Resources–Oil and Gas Orphan Fund 2011-12 Annual Report**

The Report includes:

- The potential number of orphaned wells and facilities (700)
- The audited financial statements of the Oil and Gas Orphan Fund for the year ended March 31, 2012 (net assets held $7.9 million, revenues of 1.4 million, expenses of $0.4 million, annual surplus of $1.1 million, and deposits held of $36.7 million

This information is not sufficient to inform the Legislative Assembly and the public on the Ministry's progress in managing the financial and associated environmental risks related to the future cleanup of wells and facilities. For example, the reports do not:

- Provide insight into the key risks the Ministry faces in cleaning up wells and facilities, report on its progress in addressing those risks, and explain the impact the risks had on planned results
- Provide comparative information about risk trends (e.g., the number of licensees whose productive value of wells and facilities are declining and reaching the point where security deposits will be required)
- Set out the number of orphaned wells and facilities the Ministry planned to cleanup and explain the variance, if any, between planned and actual results

5. **We recommend the Ministry of the Economy report on its effectiveness to the Legislative Assembly and the public in managing the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities.**

One of the questions we had at the start of this audit was whether the Ministry had a liability for the 700 wells and facilities that could potentially be orphaned and if an amount should be recorded in its financial records. To determine if the Ministry should record the estimated future cleanup costs in its financial records, we referred to the *Canadian Public Sector Accounting Standards*. We concluded that it should.

In 2006, the Ministry's estimate of the cost to clean up the 700 wells and facilities that could potentially be orphaned was $26 million. This amount continues to be its most recently reported estimate. With the implementation of its LLR program, the Ministry continues to refine this estimate. Based on its follow up of unpaid security deposits, the Ministry has identified 260 wells and facilities that will very likely be deemed orphaned. It expects it will identify more orphaned wells and facilities upon completion of the LLR program's phase-in period. Also, the OA program is providing the Ministry with current cleanup cost information. To clean up the 10 orphaned wells and facilities to date, it cost $700,000 for an average cost of $70,000 per well.

Therefore, it may cost $18 million to clean up the 260 orphaned wells and facilities. If it turns out that there are 700 orphaned wells and facilities, it could cost $49 million.[10] We caution that one cannot fully rely on these estimates because the cost projection is based only on 10 wells.

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[10] 260 x $700,000/10 = $18 million; 700 x $700,000/10 = $49 million.

As of March 31, 2012 (the date of the most recent audited financial statements), the Orphan Fund had net assets of $8 million. The net assets are for the cleanup of orphaned wells and facilities. Therefore, the Ministry's unfunded liability for cleaning up the 260 orphaned wells and facilities is $10 million ($18 million - $8 million). If there are 700 orphaned wells and facilities, its unfunded liability is $41 million ($49 million - $8 million). In order to better manage its unfunded liability and to record it in its financial records, the Ministry needs to begin updating its cost estimates and its estimate of the number of orphaned wells. Earlier, in this chapter we recommended that the Ministry use current estimates and trend analysis for monitoring, assessing, and reporting on the risks and the associated costs of the future cleanup of wells and facilities.

The Ministry cannot use the Orphan Fund's $37 million in security deposits to offset its unfunded liability. This is because the Orphan Fund holds the security deposits in trust for the licensees who paid them. If a licensee's wells and facilities become orphaned, its security deposit becomes revenue of the Orphan Fund and is then used to help pay for the cleanup of the wells and facilities. If a licensee's security deposit is not used for this purpose or if the rules of the OA program no longer require the licensee to have a security deposit, it is returned to the licensee.

6. **We recommend that the Ministry of the Economy estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the Government's financial statements.**

The Ministry analyzes the effectiveness of its programs in managing the financial and associated environmental risks of cleaning up wells and facilities. It also proposes and makes revisions to its programs based on these assessments.

In making assessments, the Ministry relies on the expertise and experience of its staff, the advice from industry members of the Orphan Fund Advisory Committee, and the expertise and experience of officials with the Governments of Alberta and British Columbia who manage similar programs. It also tracks and analyzes program data (e.g., number of licensees, collection rates, and LLR program trends such as the declining production value of wells, changes in security deposits required, etc.).

Examples of program assessments and program changes include:

- **Inactive Wells and Facilities**

The number of inactive wells and facilities is increasing with the growth of the oil and gas industry. The Ministry needs to manage the risk of licensees unnecessarily deferring the cleanup costs of inactive wells and facilities. Currently, the Ministry's legislation does not address the timely cleanup of inactive wells and facilities.

The Ministry has provided a draft directive on the suspension of inactive wells to the industry for comment. This draft directive is designed to temporarily address the risks of the metal casing lining the well-hole and the shut-off devices deteriorating and allowing contamination of subsurface layers, land, and air. The suspension standards are temporary because, in most cases, they do not require the well-hole to be permanently sealed up.

Therefore, the Ministry has yet to address the financial risks of inactive wells and it has not fully addressed the environmental risks, including the removal of facilities and surface contaminants at the well site.

**7. We recommend the Ministry of the Economy manage the financial and associated environmental risks related to the timely cleanup of inactive wells and facilities.**

### Outreach Program

The purpose of an Outreach Program is to provide advice to licensees whose productive values of wells and facilities are declining and approaching the costs that will be required to clean up their wells and facilities. The Ministry is planning to identify and track these licensees and provide them with information on strategies to mitigate the risks of them becoming unable to pay for their cleanup costs.

### Waste Management Facilities

The Regulations that came into force in June 2007 to implement the LLR program did not include waste management facilities. The amendments to the Regulations proclaimed April 1, 2012 include these facilities.

### Legacy Well Sites

Legacy well sites are sites that received a release prior to 2007 from surface owners (e.g., farmers) or certificates issued pursuant to subsection 56(2) of *The Surface Rights Acquisition and Compensation Act*. The Ministry, in accordance with its legislation at the time, accepted the release or the certificate as evidence that the sites were restored to appropriate environmental standards or to the satisfaction of the landowner. The legislation did not require independent reports by environmental specialists before the releases were granted. Consequently, some of these sites may contain contaminants that continue to pose risks to the environment and to public health. The Ministry continues to assess the extent of the risks posed by the approximately 20,000 legacy well sites. Of the 20,000 sites, the Ministry estimates there are 9,000 sites that have a higher risk of contamination.

**8. We recommend the Ministry of the Economy complete its assessment of the financial and environmental risks arising from legacy well sites, assess its liability, and develop a plan for cleaning up contaminated legacy well sites.**

## 7.0 EXHIBITS

### Exhibit 1—Program Summaries

**Licensee Liability Rating Program (LLR program)**

It is designed to help prevent the rapid increase of orphaned well and facility liabilities in the future and to help ensure licensees pay for the future cleanup of their wells and facilities. The Ministry estimates the productive value of each licensee's wells and facilities (measured in the value of oil and/or gas produced from their wells and facilities in Saskatchewan) and their estimated cleanup costs (abandonment and reclamation liabilities). For those licensees who do not have well assets greater than the estimated cleanup costs for their wells and facilities (i.e., higher risk licensees), they are required to pay a security deposit, in the form of an irrevocable line of credit or cash, to the Ministry for the difference.

The security deposit assessment is done monthly and at the time of well and facility transfers. The purpose of the security deposit is to prevent a licensee from transferring (or selling) uneconomic wells and facilities to companies or individuals who do not have economic means to pay for the cleanup costs. Also, if existing licensees become bankrupt or cannot be located in the future, their security deposits are used to help cover the costs of cleaning up their wells and facilities. The Ministry holds the security deposits in trust in the Oil and Gas Orphan Fund (Orphan Fund).

**Orphan Abandonment Program (OA program)**

Its purpose is to cleanup wells and facilities that are deemed orphaned. Orphaned wells and facilities are ones where the responsible licensees cannot be located or do not have the financial means to pay for the cleanup costs. The program is funded by all well and facility licensees through the collection of levies and the cleanup work is managed by the Ministry. The Ministry deposits the levies into the Orphan Fund. Also, when the Ministry determines a licensee's wells and facilities are orphaned, any security deposits relating to that licensee are forfeited to the Orphan Fund.

**Acknowledgement of Reclamation Program (AOR program).**
The Ministry issues an AOR certificate to a licensee when it has cleaned up (or reclaimed) a well or facility in accordance with the Ministry's site remediation standards. The AOR does not release a licensee from any unforeseen long-term environmental liabilities arising from its wells and facilities. The certificate reduces a licensee's assessed abandonment and reclamation liabilities under the LLR program and hence the security deposits and levies that they must pay to the Ministry.

### Exhibit 2—Program Objectives

- Prevent a licensee from transferring (selling) uneconomic wells and facilities to companies or individuals who do not have economic means to pay for the abandonment and reclamation liabilities, for example offloading liabilities on numbered shell companies
- Ensure all well abandonment and reclamation liabilities a licensee is responsible for or is requesting to transfer are backed up by physical production assets (oil and gas that is produced from their wells and facilities located in Saskatchewan) or are backed by securities such an as irrevocable letter of credit or cash
- Collect levies from licensees to pay for the abandonment and reclamation of orphaned wells and facilities
- Ensure the sites that are reclaimed are remediated and restored to the standards specified by the Ministry

## 8.0 GLOSSARY

**Abandonment** – well abandonment involves permanently squeezing cement into any perforated intervals in the well hole and filling the hole with cement to prevent any subsurface formation containing gas or fluids from leaking below ground or escaping above the ground.

**Inactive wells and facilities** – are wells and facilities that have not reported any production, injection or disposal activities for a period of 12 consecutive months or longer. Inactive wells and facilities are not the same as orphaned wells and facilities. Inactive wells and facilities are owned by active licensees who are responsible for the associated cleanup costs.

**Reclamation** – well site reclamation involves removing all wells and facilities (equipment and structures), remediating contaminated soils and/or groundwater, and returning the site to its original or equivalent condition.

**Suspended wells** – well suspension means temporarily plugging inactive wells to prevent leakage.

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# Chapter 32
# Prevention of Diabetes Related Health Complications

## 1.0 MAIN POINTS

In Saskatchewan, the Ministry of Health (Ministry) is ultimately responsible for ensuring that people with chronic diseases, such as diabetes, receive appropriate care. Diabetes is a chronic condition where the body does not produce enough insulin or cannot effectively use insulin to regulate blood glucose (sugar) levels.

The Canadian Diabetes Association estimates that there are currently 75,000 Saskatchewan people living with diabetes, and that this number will increase to 111,000 by 2020.[1] It also estimates that the economic burden of diabetes in Saskatchewan was $257 million in 2000, $419 million in 2010 and will increase to $532 million by 2020.[2] Diabetes-related health complications account for over 80% of diabetes costs.[3] People with diabetes are three times more likely than people without diabetes to be hospitalized at least once during a year,[4] and remain hospitalized five times as many days as people without diabetes.[5] The number of people with diabetes is increasing in the province (see **Figure 1**).

We audited the Ministry's strategies for preventing diabetes-related health complications in the province. As well, we examined how well two regional health authorities (Saskatoon Regional Health Authority and Kelsey Trail Regional Health Authority) translated Ministry strategies into programs for services.

This chapter does not report on the Ministry's efforts to prevent people from developing a chronic disease such as diabetes; rather, it focuses on the Ministry's efforts to help people with diabetes reduce or delay development of serious complications that often result from the disease. The Ministry's target is to reduce the hospitalization rate for treatment of complications from chronic diseases [including diabetes] by 50% by 2017.

With education, support and monitoring, most people with diabetes can manage their condition themselves. Oversight for the delivery of education and support services to people with diabetes should be provided by physicians. Physicians often work in conjunction with either Primary Health Care or Chronic Disease Management branches of the regional health authorities to deliver the services needed.

The Ministry has adopted recognized standards[6] for good diabetes care but has not yet developed and implemented strategies to ensure these standards are achieved. Strategies should have goals, objectives, targets and performance indicators to clearly define performance expectations.

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[1] Canadian Diabetes Association. (2011). At the tipping point: Diabetes in Saskatchewan. http://www.diabetes.ca/documents/get-involved/17620_Diabetes_Prog_Report_Saskatchewan_4.pdf. (1 Nov 2012).

[2] Ibid.

[3] Canadian Diabetes Association. *Diabetes: Canada at the tipping point – Charting a new path*, p.2. http://www.diabetes.ca/documents/get-involved/WEB_Eng.CDA_Report_.pdf. (1 Nov 2012).

[4] Public Health Agency of Canada. (2011). *Diabetes in Canada: Facts and figures from a public health perspective*, p.5. http://www.phac-aspc.gc.ca/cd-mc/publications/diabetes-diabete/facts-figures-faits-chiffres-2011/pdf/facts-figures-faits-chiffres-eng.pdf. (1 Nov 2012).

[5] Saskatoon Health Region. (2011). *Diabetes in Saskatoon Health Region: A report of the Medical Health Officer*, p.7. http://www.saskatoonhealthregion.ca/your_health/documents/PHO/SHR_Diabetes_Report_August2011.pdf. (1 Nov 2012).

[6] Standards published by the Canadian Diabetes Association. http://www.diabetes.ca/files/cpg2008/cpg-2008.pdf. (1 Nov 2012).

The Ministry does not collect sufficient information related to diabetes. We found the Ministry does not know:

- Who has diabetes in the province
- The full cost of health care for people with diabetes in the province
- If people with diabetes receive all the recommended care that could reduce their risk of developing diabetes-related health complications
- Whether the recommended care is delivered effectively and consistently across the province

Without sufficient information, it is difficult for the Ministry to set strategies or to assess if its strategies will be effective in reducing diabetes-related health complications. Investing in information will enable a better quality of life for people with diabetes and long-term savings from effective diabetes management and the prevention or reduction of diabetes-related health complications. The Ministry should make its information about diabetes available to regional health authorities to help them assess the effectiveness of regional program delivery and hold them accountable for their performance.

In addition, the Ministry should periodically report progress in developing and implementing its strategies and achieving its goals and objectives.

We provided the Ministry with 12 recommendations that, if implemented, may contribute to the achievement of the Ministry's target to reduce avoidable hospitalizations for the treatment of chronic diseases.

Overall, we found the two regional health authorities followed best practice standards, delivered programs to reduce diabetes-related health complications and collected some information on their programs. They cannot know, however, if their programs are effective because of two things. First, they have not received current strategic direction from the Ministry and second, there is no centralized information system to collect needed data related to diabetes. Once the Ministry has clarified its strategies and provided a system for analysis of information, regional health authorities may be able to evaluate their progress and assess their alignment with Ministry strategies. They could then provide better, consistent and effective service to people with diabetes.

## 2.0 INTRODUCTION

Diabetes is defined as a chronic condition that arises when the pancreas does not produce enough insulin (Type 1 diabetes) or when the body cannot effectively use the insulin produced (Type 2 diabetes) or both.[7] This insulin imbalance inhibits the ability of the body to regulate its blood glucose (sugar) levels. Without proper management of the disease, people with diabetes are at serious risk of developing diabetes-related health complications.

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[7] Saskatchewan Ministry of Health. 2004. *The Provincial Diabetes Plan*, p.51. http://www.health.gov.sk.ca/diabetes-provincial-plan. (1 Nov 2012).

Most people with diabetes can lead independent lives. With proper self-management and monitoring, people with diabetes can stabilize their condition to minimize and delay potential harmful health complications of the disease and improve the quality of their lives. Depending on the type of diabetes a person has, more or less aggressive management is required. For example, people with Type 2 diabetes can usually self-manage their disease with glucose-lowering oral medications, diet, exercise and weight loss. People with Type 1 diabetes typically need insulin injections to stabilize their blood glucose as well as a diet and exercise regime. Overall, 90% of people with diabetes have Type 2 diabetes, 10% have Type 1.[8]

Chronic disease management differs significantly from serious health episodes. Much of the management of a chronic disease has to be self-managed by the patient over a long period of time with significant involvement of numerous health professionals,[9] as opposed to serious health episodes which are typically dealt with over a short term in an acute care setting. Ideally, a team-based approach[10] for delivering the various aspects of chronic care is needed, and this approach has been adopted in both regional health authorities we visited to help people self-manage.

All people are at risk of developing diabetes. However, certain groups of individuals with a common trait/heritage (e.g., obesity, lower socio-economic status, Aboriginal, South Asian, etc.) have higher than normal rates of incidence and prevalence[11] of diabetes;[12] men are equally likely to develop diabetes as women, but men have higher rates of diabetes-related complications for all complications than women;[13] people in low and middle income brackets have higher rates of diabetes-related complications than affluent people;[14] and, age increases the risk of developing diabetes.[15]

## 3.0 BACKGROUND

In 1997, the Ministry initiated the Saskatchewan Advisory Committee on Diabetes (Committee). The Committee was asked to provide a report to the Chief Medical Health Officer that would:

- Identify, summarize, review and evaluate diabetes services currently available to Saskatchewan people
- Recommend strategies in keeping with a population health promotion approach, for educational, preventive and treatment services addressing diabetes, which meet acceptable standards and which are feasible within available resources

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[8] Canadian Diabetes Association. *Diabetes: Canada at the tipping point – Charting a new path*, p.8. http://www.diabetes.ca/documents/get-involved/WEB_Eng.CDA_Report_.pdf. (1 Nov 2012).

[9] Health professionals typically include physicians, nurse practitioners, nurses, dieticians, diabetes educators, pharmacists, exercise therapists, and various specialized doctors such as endocrinologists and paediatricians.

[10] Lewanczuk, R. (December 2009). Diabetes and chronic disease management. *Canadian Journal of Diabetes*. http://www.diabetes.ca/publications/cjd/2009/12/. (31 Oct 2012).

[11] The Ministry of Health defines "Incidence" as the number of new cases detected in the population at risk for the disease during a specific period; "Prevalence" is the total number of people known to be living with a disease at any time during a specific period.

[12] Public Health Agency of Canada. (2011). *Diabetes in Canada: Facts and figures from a public health perspective*, p.5. http://www.phac-aspc.gc.ca/cd-mc/publications/diabetes-diabete/facts-figures-faits-chiffres-2011/pdf/facts-figures-faits-chiffres-eng.pdf. (1 Nov 2012).

[13] Saskatoon Health Region. (2011). *Diabetes in Saskatoon Health Region: A report of the Medical Health Officer*, p.27. http://www.saskatoonhealthregion.ca/your_health/documents/PHO/SHR_Diabetes_Report_August2011.pdf. (1 Nov 2012).

[14] Ibid.

[15] Public Health Agency of Canada. (2011). *Diabetes in Canada: Facts and figures from a public health perspective*, p.20. http://www.phac-aspc.gc.ca/cd-mc/publications/diabetes-diabete/facts-figures-faits-chiffres-2011/pdf/facts-figures-faits-chiffres-eng.pdf. (1 Nov 2012).

- Recommend research approaches aligned with the recommended services, which would ultimately serve to demonstrate the efficacy and cost-effectiveness of the recommended strategies
- Identify an optimal system(s) of health service delivery for people with diabetes

The Committee's March 2000 report[16] recommended goals, objectives and actions that were designed to help guide strategies to reduce, through prevention, the incidence and prevalence of diabetes and its complications. It also addressed surveillance, education, care and treatment of persons with the disease.

In February 2004, the Ministry released *The Provincial Diabetes Plan* (Plan) that was developed based on the recommendations of the Committee. Two program components of the Plan related to preventing diabetes-related health complications; "optimum care for prevention" and "diabetes surveillance." We determined that about half of the objectives relating to the components had been implemented or partially implemented by March 31, 2012. See **Exhibit 1** for additional information on these program components.

In 2007, the Premier's mandate letter asked the Minister of Health to "strengthen provincial efforts to promote [as a priority] wellness and preventive care through education, nutrition and physical activity."

In 2008, the Ministry began developing an alternate, comprehensive strategy for chronic disease based on the Expanded Chronic Care Model endorsed by the World Health Organization (see **Exhibit 2**). The Model links people with their health system and community, and envisions the development of skills and provision of supports to improve health outcomes for people overall and individuals with respect to their personal health outcomes. The RHAs continue to deliver programs and services developed as part of *The Provincial Diabetes Plan*.

The Ministry's *Strategic and Operational Directions 2011-12* identifies the goal to "improve population health through health promotion, protection and disease prevention."[17]

In 2012, the Saskatchewan Advisory Committee on Diabetes was disbanded.

## 4.0 SIGNIFICANCE AND RISK

The Canadian Diabetes Association estimates that there are currently 75,000 Saskatchewan people living with diabetes, and that this number will increase to 111,000 by 2020.[18] It also estimates that the economic burden of diabetes in Saskatchewan was

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[16] Report of the Saskatchewan Advisory Committee on Diabetes. (2000). *Diabetes 2000: Recommendations for a strategy on diabetes prevention and control in Saskatchewan.* http://www.health.gov.sk.ca/diabetes-report-2000. (1 Nov 2012).

[17] Saskatchewan Ministry of Health. *Strategic and Operational Directions 2011-12*, p.6. http://www.finance.gov.sk.ca/PlanningAndReporting/2011-12/HealthPlan1112.pdf. (1 Nov 2012).

[18] Canadian Diabetes Association. (2011). At the tipping point: Diabetes in Saskatchewan. http://www.diabetes.ca/documents/get-involved/17620_Diabetes_Prog_Report_Saskatchewan_4.pdf. (1 Nov 2012).

$257 million in 2000, $419 million in 2010 and will increase to $532 million by 2020.[19] Diabetes-related health complications account for over 80% of diabetes costs.[20]

Many Canadians with diabetes will develop serious, potentially fatal diabetes-related health complications. For example:

- Diabetic retinopathy is the single leading cause of blindness in Canada
- Over 40% of new kidney dialysis patients have diabetes
- 70% of non-traumatic limb amputations due to nerve disease are caused by diabetes complications
- 80% of Canadians with diabetes die from a heart attack or a stroke
- 25% of people with diabetes suffer from depression due to the burden of coping with the disease, as well as discrimination and stigma that often accompany diabetes[21]
- People with diabetes are three times more likely than people without diabetes to be hospitalized at least once during a year,[22] and remain hospitalized five times as many days as people without diabetes.[23]

As the economic burden of diabetes in Saskatchewan is estimated to be $532 million by 2020, the Ministry needs to know the amount of provincial funding that is spent on helping people with diabetes to self-manage their disease and the amount that is spent on treatment for diabetes-related health complications. The Ministry does not track costs specifically associated with programs for diabetes. The Ministry could not tell us the total cost of treating diabetes or diabetes-related complications in Saskatchewan acute care facilities (e.g., dialysis, amputation, heart attack or stroke) or by physicians, long-term care, home care or primary health care providers.

**Figure 1** below shows the trend in prevalence of diabetes in Saskatchewan and each regional health authority (RHA) over the last ten years. Prevalence rates record the total number of people known to be living with a disease at any time during a specific period. The prevalence rate is increasing because more people are newly diagnosed in a year than are lost to death in the year. Prevalence rates are an indicator of the increasing burden the health system will have to address in the future, as increasing numbers of people with diabetes may require significant care.

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[19] Canadian Diabetes Association. (2011). *At the tipping point: Diabetes in Saskatchewan.* http://www.diabetes.ca/documents/get-involved/17620_Diabetes_Prog_Report_Saskatchewan_4.pdf. (1 Nov 2012).

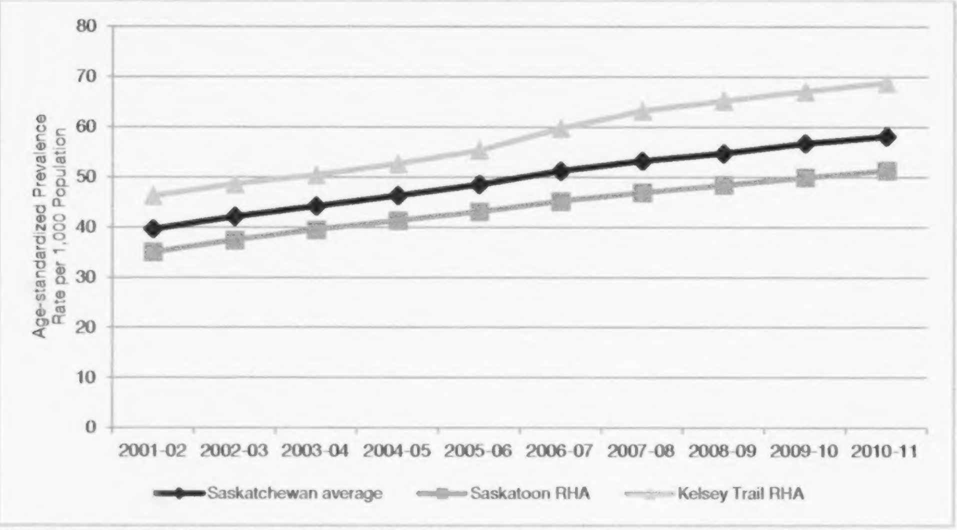
[20] Canadian Diabetes Association. *Diabetes: Canada at the tipping point – Charting a new path*, p.2. http://www.diabetes.ca/documents/get-involved/WEB_Eng.CDA_Report_.pdf. (1 Nov 2012).

[21] Ibid., p.37.

[22] Public Health Agency of Canada. (2011). *Diabetes in Canada: Facts and figures from a public health perspective*, p.5. http://www.phac-aspc.gc.ca/cd-mc/publications/diabetes-diabete/facts-figures-faits-chiffres-2011/pdf/facts-figures-faits-chiffres-eng.pdf. (1 Nov 2012).

[23] Saskatoon Health Region. (2011). *Diabetes in Saskatoon Health Region: A report of the Medical Health Officer*, p.7. http://www.saskatoonhealthregion.ca/your_health/documents/PHO/SHR_Diabetes_Report_August2011.pdf. (1 Nov 2012).

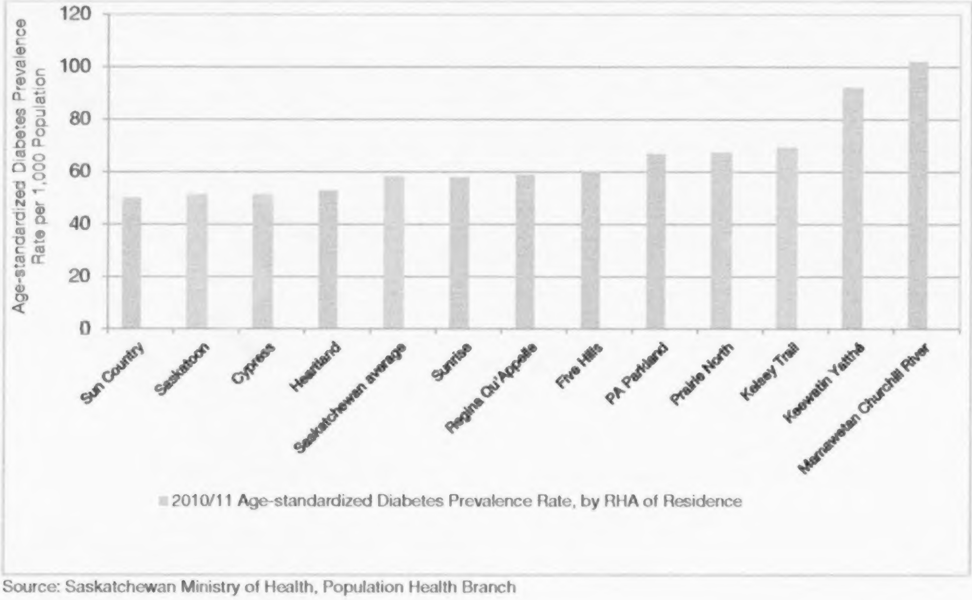
**Figure 1—2001-02 to 2010-11 Age-standardized Prevalence Rates per 1,000 population for Saskatchewan, Saskatoon RHA and Kelsey Trail RHA**



Source: Saskatchewan Ministry of Health, Population Health Branch. Information for year ending March 31 each year.

**Figure 2** below shows the variation in prevalence among the regions and how they compare to the provincial average. This demonstrates that certain regions have a greater burden of diabetes than others, and efforts should be tailored to regional needs.

**Figure 2—2010-11 Age-standardized Prevalence Rates per 1,000 Population by RHA of Residence**



Source: Saskatchewan Ministry of Health, Population Health Branch

Kelsey Trail has the third highest prevalence rate (69 per thousand population). Saskatoon RHA has the second lowest prevalence rate (51 per thousand population). The Saskatchewan average prevalence rate is 58 people per thousand population.

## 5.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry of Health and regional health authorities (RHAs) had effective strategies for preventing diabetes-related health complications for the year ended March 31, 2012.

To conduct this audit, we followed *The Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. We examined how effectively the Ministry develops and evaluates strategies, and delivers programs for preventing diabetes-related health complications, and their processes to collect data on their strategies and programs. We also examined how well the Kelsey Trail Regional Health Authority (Kelsey Trail) and Saskatoon Regional Health Authority (Saskatoon RHA) deliver and evaluate programs to implement the strategies, and their processes to collect data on their programs. We interviewed key managers and staff at the Ministry and the two RHAs.

We chose to examine Kelsey Trail RHA because of the relatively high prevalence rate of diabetes in the region as well as an example of a mid-size regional health authority in the province. We chose Saskatoon RHA because of the relatively low prevalence rate of diabetes in the region and the size of the region in relation to other RHAs in the province. See Section 7.0 Regional Findings for further information on each RHA.

To evaluate the Ministry and RHAs' processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Ministry and the two RHAs agreed with the criteria in **Figure 3**.

**Figure 3—Audit Criteria**

**Part 1: To have effective strategies for preventing diabetes-related health complications, the Ministry of Health should:**

1. Develop an overall plan for managing diabetes
    1.1. develop strategy for managing diabetes
    1.2. set goals and objectives including performance indicators and targets
    1.3. allocate resources to develop and deliver programs to achieve objectives
2. Ensure RHAs develop and deliver programs for managing diabetes to achieve goals and objectives
    2.1. review planned programs from RHAs
    2.2. assess alignment of programs with the Ministry's strategies
3. Evaluate strategies for managing diabetes and take action
    3.1. develop mechanism to collect data
    3.2. collect and analyze data to assess progress towards the goals and objectives
    3.3. adjust strategies as required to achieve objectives
    3.4. report results publicly

**Part 2: To have effective strategies for preventing diabetes-related health complications, the Regional Health Authorities should:**

1. Develop and deliver programs for managing diabetes to achieve goals and objectives
    1.1. develop guidelines for diabetes care based on best practice
    1.2. deliver and/or collaborate with community partners to deliver programs for managing diabetes
    1.3. allocate resources to deliver programs for managing diabetes
2. Evaluate programs for managing diabetes and take action
    2.1. develop mechanism to collect data
    2.2. collect and analyze data to assess progress towards the goals and objectives
    2.3. adjust strategies and programs as required to achieve objectives
    2.4. report results publicly

**We concluded that, for the year ended March 31, 2012, the Ministry of Health did not have effective strategies for preventing diabetes-related health complications. The Ministry needs to implement its work plan for management of diabetes and diabetes-related health complications and provide related guidance to regional health authorities by setting goals, objectives and performance indicators. To be effective in reducing the health care burden associated with diabetes, it is important that the Ministry collect patient information and cost information to enable effective programming decisions to be made.**

**The two regional health authorities deliver programs for people with diabetes. However, these programs are, at times, ad hoc, because the regional health authorities lack strategic direction from the Ministry about provincial goals and objectives and do not have enough information to know if their programs are effective. Until the Ministry implements its work plan, provides guidance, and puts a system in place to collect needed data, we encourage all regional health authorities to work together and share their program information.**

# 6.0 MINISTRY FINDINGS AND RECOMMENDATIONS

## 6.1 Develop an Overall Plan for Managing Diabetes

### 6.1.1 Develop Strategy for Managing Diabetes

*We expected the Ministry to have a strategy and overall plan for services for people with diabetes that would help them self-manage their diabetes and reduce and/or delay diabetes-related health complications.*

As noted in Section 3.0, the Ministry has had many diabetes-specific initiatives and done considerable planning over the past 15 years. However, these efforts have not resulted in a sustainable and actionable plan for services for people with diabetes. Strategic planning is now focused on overall chronic disease management, recognizing that many people have more than one chronic disease, consistent with the Expanded Chronic Care Model (**Exhibit 2**). The Ministry indicated that plans for diabetes management and reduction of complications will be developed as part of the following:

- In May 2012, the Ministry released the *Saskatchewan Framework for Primary Health Care Report*. This framework acknowledges the need for a proactive approach to chronic disease prevention and management and the need for a province-wide vision, measurable goals, and a focus on modifiable risk factors and the social determinants of health (see **Exhibit 3**).

- The Ministry's *Plan for 2012-13* identifies a broad strategy for "better health" to "improve population health through health promotion, protection and disease prevention, and collaborating with communities and different government organizations to close the health disparity gap." The strategy includes:
  - Five-year outcome:

    - to reduce the hospitalization rate for ambulatory care sensitive conditions[24] by 50% by 2017 [i.e., hospitalizations due to complications of chronic disease that may have been avoidable with appropriate preventative treatment]
- Three improvement targets:
    - 75% of people with chronic diseases with increased confidence in ability to self-manage their disease by 2017
    - 80% of people with chronic disease receiving care consistent with provincial standards by 2017
    - 80% of primary health care teams are using an electronic medical record to facilitate individual patient care and enable population-based reporting for quality improvement and planning by 2017
- "Breakthrough initiative":
    - to identify the tools and supports (capacity and baseline capability in measurement and analysis) required to monitor chronic disease population data, by March 31, 2013

In response to the Ministry's *Plan for 2012-13*, the Primary Health Services Branch of the Ministry developed a work plan indicating the Ministry plans to:

- Define five chronic diseases [including diabetes] and the best practice standards for each by 2013-14
- Establish standard work (practices, processes, policies) by 2014-15
- Ensure all RHAs have the tools and supports necessary to monitor chronic disease outcome data by 2014-15
- Ensure all RHAs have a defined chronic disease management strategy as part of their Primary Health Care plan by 2014-15

Work continues in developing a sustainable and actionable work plan. Without such a plan in place, money spent on diabetes initiatives may not result in coordinated and effective programs and services.

1. **We recommend the Ministry of Health implement an actionable work plan relating to chronic disease management including diabetes and prevention of diabetes-related health complications and provide guidance for regional health authorities.**

### 6.1.2 Develop Goals and Objectives Including Performance Indicators and Targets

*We expected the Ministry to have goals and objectives for delivering services to people with diabetes to help them self-manage their diabetes and reduce and/or delay diabetes-related health complications. We also expected the Ministry to determine indicators to measure the health system's performance, and targets to indicate expected progress.*

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[24] Hospitalizations related to ambulatory care sensitive conditions (ACSC) represent an indirect measure of access to primary care and the capacity of the system to manage chronic conditions such as diabetes, congestive heart failure, chronic obstructive pulmonary disease (COPD) and asthma. ACSC-related hospitalizations are commonly referred to as avoidable hospitalizations and thus a measure of the performance of the primary care system. Sanmartin,C., Khan, S. & the Longitudinal Health and Administrative Data Research Team. *Hospitalizations for ambulatory care sensitive conditions (ACSC): The factors that matter.* http://www.statcan.gc.ca/pub/82-622-x/82-622-x2011007-eng.htm. (08 Nov. 2012).

As described above, the Ministry, in its *2012-13 Plan,* has set a broad strategy to promote better health, along with broad performance indicators and targets related to chronic disease. It has not yet translated this into specific strategies for managing chronic disease. Nor has it set goals, objectives, performance indicators or targets that relate to diabetes and diabetes-related health complications.

Most people with diabetes can manage their disease themselves if they receive appropriate education and have appropriate support and monitoring from health professionals, including regular clinical checks for early indications of the disease's progression (for examples of such checks, refer to **Exhibit 4**). Early detection of these indicators and appropriate management reduces the risk of developing serious complications. Even though physicians must ensure their patients with diabetes receive appropriate care and monitoring, the Ministry's standard work (practices, processes, policies) should require regular clinical checks.

Currently, the Ministry does not have information available to know whether people with diabetes are appropriately monitored and that appropriate interventions are taking place to reduce the risk of developing complications. It also is unable to know whether people with diabetes receive the same level of service and monitoring by clinicians.[25] Investing in information will enable a better quality of life for people with diabetes and long term savings from effective diabetes management and the prevention or reduction of diabetes-related health complications. See Section 6.3 for further information on collection and analysis of data.

2. **We recommend the Ministry of Health set goals, objectives, performance indicators and targets to manage diabetes and prevent diabetes-related health complications.**

3. **We recommend the Ministry of Health establish processes to monitor that people with diabetes receive appropriate services to reduce their risk of developing diabetes-related health complications.**

4. **We recommend the Ministry of Health establish processes to monitor that people with diabetes have access to appropriate services in the province.**

### 6.1.3 Assess Resources to Develop and Deliver Programs

*We expected the Ministry to allocate resources to develop and deliver programs to aid people with diabetes to help them self-manage their diabetes and reduce and/or delay diabetes-related health complications.*

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[25] Clinicians (i.e., physicians, licensed practical nurses, primary health care teams, etc.) deliver clinical care.

As described in Section 4.0, the Ministry does not know how much is spent on diabetes management and treatment of diabetes-related health complications. Treating diabetes complications is a significant cost to the health care system (currently estimated at 80% of the Canadian Diabetes Association estimated $419 million spending on diabetes in 2010). Knowing how much money is spent on treating people with diabetes, separate from other initiatives, would help determine if programs help people to self-manage, and consequently, reduce the burden on the health care system in the future. In addition, it would help the Ministry when making provincial funding decisions.

The Ministry provides RHAs with global funding annually. RHAs have discretion in allocating funding to primary health care and chronic disease management. The amount allocated varies by RHA. The Ministry has not provided guidelines to the RHAs to help decide how much of the global funding should be spent on chronic disease, or more specifically diabetes management and diabetes-related health complications.

Guidelines on resource allocation would be helpful, recognizing the disparity in prevalence of diabetes among regions, as well as the number of people with diabetes in a region (refer to **Figure 2** for prevalence rates by RHA). For example, a smaller region with a very high prevalence rate might still have a small number of people with diabetes. Conversely, a larger region with a lower prevalence rate might still have a large number of people with diabetes. RHAs may need different programs given the prevalence rate and number of people with diabetes in a region.

Apart from the global funding provided to the RHAs, the Ministry spends other funds to provide services for people with diabetes. For example:

- The Ministry specifically grants about $600,000 annually to RHAs for chronic disease management projects (on average about $50,000 per RHA) typically used to fund pilot programs or specific initiatives related to chronic diseases including diabetes. If RHAs want to sustain or expand the programs, they must use their global funding in subsequent years.

- The Ministry pays for diabetes-related services provided by physicians. Physicians provide diabetes services and should monitor certain indicators (see **Exhibit 4**) as best practice. The Ministry has no mechanism to know if physicians are monitoring people with diabetes effectively and consistently. Since 2011, the Ministry agreed with the Saskatchewan Medical Association (SMA) to an increase in annual funding of $3 million, to improve and increase services physicians provide for chronic disease treatment and management. The Ministry works with the SMA to determine the distribution of the additional funding to physicians in the province. The contract with the SMA does not require the linking of payments to activities or outcomes.

- In December 2011, the Ministry announced its plan to fund an additional $2.5 million to expand insulin coverage for people with diabetes, and the insulin pump program to people with diabetes up to and including the age 25 (previously the program funded people up to and including age 17). However, the Ministry has not yet done a study to determine if the insulin pump program is effective in improving self-management by people with diabetes.

- The Ministry helps low-income people with the cost of diabetes drugs and supplies through the Prescription Drug Plan. In 2011-12, the Ministry paid $22.7 million of these costs.

- The Ministry developed and maintains a website[26] and HealthLine telephone services to disseminate information for people with diabetes and their care providers. The website has over 1,200 individual articles on five main categories of diabetes. This amount of information may be overwhelming for the average person seeking guidance on self-management or care providers wanting to access specific information.

5. **We recommend the Ministry of Health implement processes to accumulate, analyze and monitor provincial spending information on people with diabetes, and on diabetes-related complication prevention programs to assess the reasonableness of its resource allocations.**

6. **We recommend the Ministry of Health work with the Saskatchewan Medical Association to establish a method for assessing physician activities in monitoring people with diabetes.**

7. **We recommend the Ministry of Health work with regional health authorities to ensure resources on a regional basis are effectively deployed to manage diabetes and diabetes-related health complications.**

## 6.2 Ensure RHAs Develop and Deliver Appropriate Programs

### 6.2.1 Review RHAs Planned Programs and Assess Alignment of Programs with the Ministry's Strategies

*We expected the Ministry to review programs delivered by the RHAs for managing diabetes and diabetes-related health complications.*

When *The Provincial Diabetes Plan* was implemented in 2004, the RHAs reported to the Ministry annually on their goals and objectives. Since 2008, RHAs have not been required to report this information annually.

In 2011, the Ministry requested and received preliminary Primary Health Care plans from all RHAs. The plans we examined had few actions related to chronic disease and did not specifically address management of diabetes or diabetes-related health complications.

The Ministry's Primary Health Care work plan identifies the need to ensure all RHAs have a defined chronic disease management strategy as part of their Primary Health Care plan by 2014-15. The Ministry indicated that diabetes would be one of the chronic diseases addressed.

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[26] www.health.gov.sk.ca/healthline-online. (1 Nov 2012).

We expect the Ministry to review the RHAs' chronic disease management strategies when they are developed in 2014-15, and to request and review on-going reporting by the RHAs on their progress in achieving province-wide goals and objectives.

*We also expected the Ministry to assess whether the RHAs' programs aligned with the Ministry's strategies.*

The Ministry said it has reviewed the 2011 RHA preliminary Primary Health Care plans to ensure these plans align with the Ministry's plan and the broader primary health care framework. The Ministry did not provide written evidence of this review. As noted above, the RHA preliminary plans we examined had few actions related to chronic disease and did not specifically address management of diabetes or diabetes-related health complications. The Ministry has not informed the RHAs whether those plans need to change to align with the Ministry's direction.

In Section 6.1.1, we recommended that the Ministry provide guidance for regional health authorities. This guidance should include strategies, objectives, targets and performance indicators.

8. **We recommend the Ministry of Health review regional health authorities' Primary Health Care plans and programs to ensure they contain appropriate actions and align with the Ministry's strategies relating to chronic disease management including diabetes management and prevention of diabetes-related health complications.**

## 6.3 Evaluate Strategies for Managing Diabetes and Take Action

### 6.3.1 Develop Mechanisms to Collect Data for Diabetes Management

*We expected the Ministry to collect data that is useful to people with diabetes, their care providers, regional health authorities and the Ministry to manage diabetes and diabetes-related health complications.*

As described earlier, the Ministry does not have complete information available to know whether people with diabetes are appropriately monitored and interventions have taken place to reduce their risk of developing complications. It also is unable to determine whether people with diabetes in the province receive the same level of service and monitoring by clinicians. The Ministry has identified, in its *Plan for 2012-13,* the need to ensure that people with chronic diseases including diabetes receive care consistent with provincial standards (see **Exhibit 4**), and has set a target for improvement to 80% by 2017 (see Section 6.1.1).

The Ministry needs to determine what information to collect, how, and by whom. Also, it needs mechanisms to make the information available and useful to stakeholders who need the information to help people with diabetes self-manage their disease. Stakeholders include individuals with diabetes, their care providers including physicians, and the regional health authorities that deliver programs on the Ministry's behalf.

9. **We recommend the Ministry of Health implement processes to gather sufficient information relating to people with diabetes and diabetes-related health complications to ensure they are receiving care consistent with provincial standards.**

### 6.3.2 Collect and Analyze Data to Assess Programs' Effectiveness

*We expected the Ministry to collect and analyze data about the effectiveness of services and programs.*

**Effectiveness of Services**

As described in Section 6.3.1, the Ministry does not have a process to ensure that people with diabetes receive services recommended as best practice (see **Exhibit 4**), are appropriately monitored and are appropriately helped to reduce their risk of developing complications. The Ministry collects statistical data on some complications, but cannot link complications to care provision or lack thereof. As well, the Ministry cannot ensure that people with diabetes receive needed services and monitoring throughout the province.

With data on services delivered by physicians and care providers linked to patient outcomes, the Ministry may be able to identify patterns of good service delivery and gaps in service delivery. It may then be able to adjust programs to aid physicians and other care providers to provide better care and monitoring to reduce diabetes-related health complications.

10. **We recommend the Ministry of Health collect and analyze information to assess whether services delivered by physicians and care providers are effective and if they provide needed services to people with diabetes to prevent diabetes-related health complications.**

**Effectiveness of Programs**

The Ministry does not collect data to see if the RHAs' programs are successful in improving the ability of people with diabetes to self-manage their disease or in preventing or reducing future diabetes-related health complications. Also, the Ministry does not have information needed to do a cost-benefit analysis to assess which programs are successful in improving patient outcomes efficiently.

The Ministry cannot provide relevant information to RHAs that are delivering programs. For example, the Ministry could track certain health indicators (see **Exhibit 4**) for people enrolled in a program versus people with diabetes not enrolled in a program. Without such feedback, the RHAs cannot know if their programs are effective in aiding self-management for people with diabetes.

**11. We recommend the Ministry of Health collect and analyze information to assess the effectiveness of regional health authorities' programs to manage diabetes and the prevention of diabetes-related health complications.**

### 6.3.3 Adjust Strategies as Required to Achieve Objectives

*We expected the Ministry to adjust its strategies based on data collected on Ministry and RHA initiatives to improve people with diabetes' ability to self-manage and reduce and/or delay diabetes-related health complications.*

As described in 6.1.1, the Ministry has adjusted its broad strategies for chronic disease management focusing on modifiable risk factors and the social determinants of health (see **Exhibit 3**). The Ministry is developing strategies in conjunction with other ministries such as Social Services and Education to address broad-based health issues and factors, such as socio-economic status and education, that affect population health and development of chronic diseases. These strategies may help reduce the number of people developing chronic diseases, including diabetes, (i.e., reduce incidence rates), and may also help reduce and/or delay diabetes-related health complications.

Also, management stated the Ministry is adjusting broad strategies as part of its newly released Primary Health Care Framework to deal with chronic disease. As the Ministry does not have a mechanism to collect data, it may not have all the necessary information to assess if potential strategies will achieve its objectives.

Without specific information and guidance on strategies and programs for diabetes and diabetes-related health complications, RHAs cannot know if their programs are designed correctly and consistently, reach the intended population, and are achieving desired outcomes. Without performance targets and guidance on resource allocations (see Sections 6.1.2 and 6.1.3), the RHAs cannot know the Ministry's expectations for improving program delivery.

### 6.3.4 Report Results Publicly

*We expected the Ministry to publish its goals and objectives, performance indicators and targets for preventing diabetes-related health complications and report on its progress in meeting its goals and objectives.*

The Ministry annually publishes reports on its activities. The Ministry's annual reports do not specifically address results related to management of chronic diseases. The Ministry publishes some statistical information on diabetes (e.g., *Vital Statistics Annual Statistical Report* and *Medical Services Statistical Annual Report*). The Ministry periodically publishes information on trends in diabetes incidence, prevalence and mortality rates, as well as information for regional comparisons. The last such report was the *Saskatchewan Diabetes Profile 2002-03 to 2006-07* published in 2010.

The Public Health Agency of Canada (PHAC) also publishes incidence and prevalence rates and rates of certain diabetes-related health complications on a biannual basis on a Canadian and provincial basis. As noted earlier, PHAC rates are typically 2 – 3 years old when published.

However, all of these reports are statistical in nature and are not useful in assessing whether strategies are achieving the desired goals and objectives.

12. **We recommend the Ministry of Health publicly report progress in implementing its strategies to manage chronic diseases separately identifying diabetes and prevention of diabetes-related health complications.**

## 7.0 REGIONAL FINDINGS

In this section, we set out a summary of our findings in **Figure 4** related to the audit criteria (in **Figure 3**) for Kelsey Trail Regional Health Authority and Saskatoon Regional Health Authority.

The Kelsey Trail Regional Health Authority (Kelsey Trail) is located in the mid north-east of the province and serves approximately 42,000 people in the region. The population is relatively dispersed. Kelsey Trail has the third highest prevalence rate in the province.[27] Over 14% of Kelsey Trail's population are Aboriginal.[28] As noted earlier, people with aboriginal ancestry have a significantly higher probability of developing diabetes than non-aboriginals.[29] Kelsey Trails' Aboriginal population has an incidence rate of diabetes twice as high as the provincial incidence rate.[30] We chose this region to audit because of the relatively high prevalence rate in the region and because it is a mid-size regional health authority in the province.

The Saskatoon Regional Health Authority (Saskatoon RHA) is located in the middle of the province and serves more than 318,000 people in the region. The population is relatively concentrated in the City of Saskatoon.[31] Saskatoon RHA has the second lowest prevalence rate in the province.[32] Saskatoon RHA's Aboriginal population is 9.3%.[33] We chose this region to audit because of the relatively low prevalence rate in the region and the size of the region in relation to other RHAs in the province.

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[27] Saskatchewan Ministry of Health. Population Health Branch.

[28] Health Profile, June 2012: those persons who reported identifying with at least one Aboriginal group, that is, North American Indian, Métis or Inuit, and/or those who reported being a Treaty Indian or a Registered Indian, as defined by the *Indian Act of Canada*, and/or those who reported they were members of an Indian band or First Nation http://www12.statcan.gc.ca/health-sante/82-228/index.cfm?Lang=E. (31 Oct. 2012).

[29] Although delivery of health care on reserve is the responsibility of the federal government, once a person develops a diabetes-related health complication, they will likely be treated in an acute care facility, which is the responsibility of regional health authorities.

[30] Kelsey Trail Health Region. *Health Status Report 2010*.

[31] Statistics from the Saskatoon Health Region *Annual Report 2011-2012*.

[32] Saskatchewan Ministry of Health. Population Health Branch.

[33] http://www12.statcan.gc.ca/health-sante/82-228/index.cfm?Lang=E; Health Profile, June 2012.

The RHAs are not aware of all individuals with diabetes living in their region, nor the total costs associated with caring for people with diabetes in their regions.

Based on our assessment, Saskatoon RHA and Kelsey Trail have both implemented or partially implemented the three RHA-assigned objectives from the 2004 *Provincial Diabetes Plan* (refer to **Exhibit 1**). They have developed diabetes teams, developed relationships with primary health care teams, and have developed networks with some medical care specialists.

However, overall, RHAs are constrained in their ability to effectively deliver programs to reduce diabetes-related health complications because of a lack of strategic direction from the Ministry, lack of guidance on allocation of resources, and a lack of information to assess the effectiveness of their programs. Once the Ministry has clarified its strategies, provided resource guidance and provided a system for analysis of information, the RHAs may be able to provide better, consistent, efficient and effective services to people with diabetes at risk of developing diabetes-related health complications.

**Figure 4—Summary of Findings by RHA**

| Criteria | | Saskatoon RHA | | Kelsey Trail RHA |
|---|---|---|---|---|
| 1. Develop and deliver programs for managing diabetes to achieve goals and objectives | | | | |
| 1.1 Develop guidelines for diabetes care based on best practice: | ✓ | Saskatoon RHA use the Canadian Diabetes Association recommendations as guidelines when delivering services | ✓ | Kelsey Trail RHA use the Canadian Diabetes Association recommendations as guidelines when delivering services |
| | ✓ | Diabetes Educators, Dietitians and Exercise Therapists are certified | ✓ | Diabetes Educators, Dietitians and Exercise Therapists are certified |
| | ✓ | Saskatoon RHA has the Regional Diabetes Reference Group | | |
| | ✓ | Chronic Disease Management staff participate in provincial initiatives (e.g., Insulin Task Force) | | |
| | X | Saskatoon RHA has no mechanism to ensure physicians follow best practice guidelines | X | Kelsey Trail RHA has no mechanism to ensure physicians follow best practice guidelines |
| 1.2 Deliver and/or collaborate with community partners to deliver programs | ✓ | Saskatoon RHA delivers most programs directly using team-based approach. Teams are primarily concentrated in the City of Saskatoon | ✓ | Kelsey Trail RHA delivers all programs directly using team-based approach. Teams are relatively dispersed due to the rural nature of the RHA's population |
| | ✓ | Programs include:<br>- individual and group counseling and education services<br>- peer support programs (LiveWell with Chronic Conditions)<br>- exercise programs (in collaboration with the City of Saskatoon and other community partners)<br>- rural program delivery | ✓ | Programs include:<br>- individual counselling and education services<br>- peer support programs (LiveWell with Chronic Disease)<br>- exercise program |

| Criteria | | Saskatoon RHA | | Kelsey Trail RHA |
|---|---|---|---|---|
| | | - specific programs to address barriers to access (e.g., location, language, cultural sensitivity, transportation) for high risk populations in collaboration with community partners | X | Kelsey Trail RHA has not assessed if it needs specific programs to address barriers to access but does deliver its programs in numerous locations to reduce transportation barriers |
| | ✓ | Saskatoon RHA diabetes educators routinely work in 16 physician practices/clinics (about 1/3 of physicians in region) | ✓ | Kelsey Trail RHA diabetes educators work with some physicians in clinics and with home care services |
| | | | ✓ | Kelsey Trail RHA runs pilot projects in certain communities to address complications (e.g., Cumberland House kidney disease pilot) |
| 1.3 Allocate resources to deliver programs[34] | ✓ | Saskatoon RHA estimates it spends $2.45 million on direct costs of delivering programs | ✓ | Kelsey Trail RHA estimates it spends $0.5 million on direct costs of delivering programs |
| | X | Saskatoon RHA has identified gaps in service delivery and run pilot programs but said it could not allocate sufficient resources to address the gaps on a sustainable basis (e.g., no complex foot wound clinic, mental health counseling wait list) | X | Kelsey Trail RHA has run pilot programs to assess service delivery improvements, but could not allocate sufficient resources to expand successful pilot programs |
| **2. Evaluate programs for managing diabetes and take action** | | | | |
| 2.1 Develop mechanism to collect data | X | Saskatoon RHA has no mechanism to collect data to ensure that all people with diabetes in the region are receiving appropriate care | X | Kelsey Trail RHA has no mechanism to collect data to ensure that all people with diabetes in the region are receiving appropriate care |
| | X | Saskatoon RHA has no mechanism to collect data to track an individual with diabetes' progress over time (i.e., Chronic Disease Management templates have not been integrated into Electronic Medical Records) | X | Kelsey Trail RHA has no mechanism to collect data to track an individual with diabetes' progress over time (Noted had a mechanism (Chronic Disease Management Toolkit)), but were not allocated resources for continued use) |
| | ✓ | Saskatoon RHA has developed mechanisms to collect data on an ad hoc basis at the regional and program level | ✓ | Kelsey Trail RHA has developed mechanisms to collect data on an ad hoc basis at the regional and program level |
| | ✓ | Saskatoon RHA has established the Public Health Observatory[35] to collect some data on a regional basis | | |

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[34] Estimates of direct costs identified by the RHAs do not include payments made to physicians who treat patients in their own practices, nor does it include services that HomeCare or Nurse Practitioners in Primary Health Care sites may provide. Costs of hospitalization treatment for diabetes and diabetes-related complications in an acute care setting also cannot currently be tabulated.

[35] The Public Health Observatory is responsible for population health status surveillance, monitoring and reporting; program evaluation and review; applied research; and knowledge translation and exchange. http://www.saskatoonhealthregion.ca/your_health/ps_public_health_pho_about.htm#AboutthePHO. (05 Nov. 2012).

| Criteria | Saskatoon RHA | | Kelsey Trail RHA | |
|---|---|---|---|---|
| 2.2 Collect and analyze data to assess progress | X | Saskatoon RHA is unable to analyze data to see if programs are reducing diabetes-related health complications or are cost effective as there is no system to collect this data | X | Kelsey Trail RHA is unable to analyze data to see if programs are reducing diabetes-related health complications or are cost effective as there is no system to collect this data |
| | ✓ | Saskatoon RHA routinely collects and analyses data to assess program attendance, client satisfaction and individual case information for some programs | ✓ | Kelsey Trail RHA routinely collects and analyses data to assess program attendance, client satisfaction and individual case information for some programs |
| | ✓ | Saskatoon RHA periodically collects and analyses data on the status of diabetes, and actions and programs delivered in the region (e.g., to prepare *Medical Health Officer Report on Diabetes in Saskatoon Health Region*, 2011) | | |
| 2.3 Adjust strategies and programs as required to achieve objectives | ✓ | Saskatoon RHA has developed a work plan for 2012-15 which includes:<br>- identification, collection and collation of data in 2012-13<br>- pilot testing and implementation in 2013-14<br>- analysis, evaluation and decision making in 2014-15 | X | Kelsey Trail RHA has no formal process to adjust strategies and programs |
| | ✓ | Program staff also adjust delivery of programs to address gaps in service delivery | | |
| 2.4 Report results publicly | ✓ | Saskatoon RHA periodically reports on the status of diabetes and actions and programs delivered in the region (e.g., *Medical Health Officer Report on Diabetes in Saskatoon Health Region*, 2011, and *Chronic Disease Management Annual Report*, 2012) | ✓ | Kelsey Trail RHA periodically reports on the status of diabetes and actions and programs delivered in the region (e.g., annual report) |

Overall, from our review of two regional health authorities, we found that they are providing programs based on initiatives from the 2004 *Provincial Diabetes Plan*. However, systems do not yet exist to collect data, so RHAs cannot assess the effectiveness of their programs. Also, the Ministry has not given them current strategies, targets or guidance on resource allocations for diabetes services and prevention or reduction of diabetes-related health complications, so the RHAs cannot know if their programs are achieving the expected results.

In the absence of Ministry guidance, we encourage RHAs to share information on the design and effectiveness of their programs with each other.

## 8.0 EXHIBITS

**Exhibit 1—Selected Program Components and Objectives from the 2004 *Provincial Diabetes Plan***

We assessed the status of implementation at March 31, 2012 based on evidence we examined during the audit.

| Program Components/Objectives | | Lead Agency for Objective | | |
|---|---|---|---|---|
| | | Ministry | RHA | Shared[a] |
| **Optimum Care for Prevention of Diabetes Complications** | | | | |
| 1 | To create an infrastructure within each RHA, with senior leadership involvement, to support planning, financing, implementation and evaluation of optimal care for people with diabetes, their families and communities | | | Implemented |
| 2 | To create diabetes teams to address regional diabetes needs | | Implemented | |
| 3 | To develop relationships with existing and developing primary care teams to ensure quality diabetes care and on-going support for people with diabetes and their families | | Implemented | |
| 4 | To participate in building networks between primary care providers and teams, diabetes teams and medical care specialists | | Partially Implemented | |
| 5 | To encourage and formalize processes and systems that ensure follow-up care for all regional residents with diabetes.<br>This will require collaboration with on-reserve care providers to establish specific processes to serve First Nations on-reserve populations | | | Not implemented<br>Not examined[b] |
| 6 | To develop mechanisms to reduce barriers to optimal care | | | Partially implemented |
| 7 | To use nationally recognized standards and guidelines in care planning and delivery | | | Implemented |
| 8 | To promote early diagnosis of 'impaired' glucose levels or diabetes and appropriate follow-up mechanisms. | | | Not examined |
| **Diabetes Surveillance** | | | | |
| 1 | To establish a provincial surveillance system | Implemented[c] | | |
| 2 | To identify intermediate and long-term indicators of outcomes, develop data collection mechanisms and analysis | Not implemented | | |
| 3 | To develop, implement and evaluate an electronic system to facilitate team based management of diabetes | Not implemented | | |
| 4 | To establish processes that include the participation of First Nations, Aboriginal, Métis and Inuit people in the development of an electronic system to facilitate team based management of diabetes | | | Not examined[b] |

Source: Saskatchewan Ministry of Health. *The Provincial Diabetes Plan*. 2004.

[a] Shared in this context may refer to the Ministry, RHAs, other jurisdictions and partnering agencies.
[b] Components of on-reserve health care are provided by the Government of Canada.
[c] Canadian Chronic Disease Surveillance System contains provincial surveillance data. Surveillance data is used in the "study of the frequency, distribution and determinants of health and disease in specified populations, and the application of this study to control health problems at the population level."[35]

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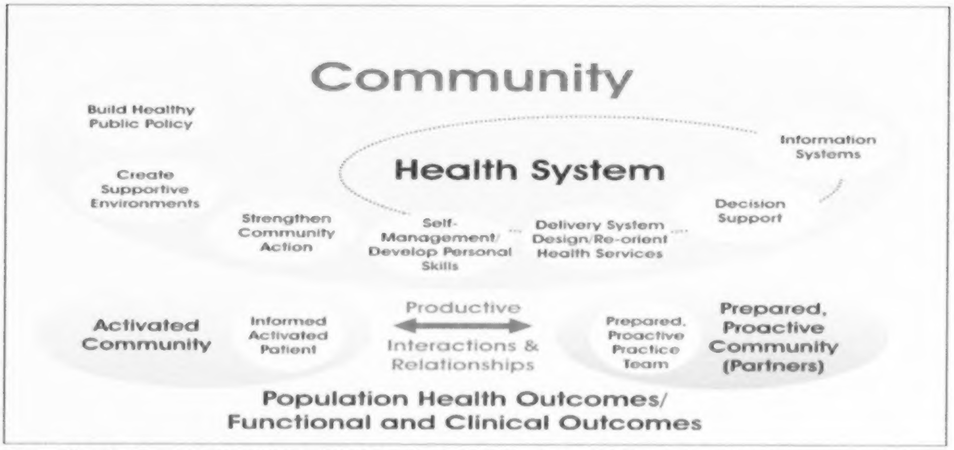
[35] Ministry of Health; Chief Population Health Epidemiologist.

**Exhibit 2—Expanded Chronic Care Model**


Community
Build Healthy Public Policy
Create Supportive Environments
Strengthen Community Action
Health System
Self-Management/ Develop Personal Skills
Delivery System Design/Re-orient Health Services
Decision Support
Information Systems
Activated Community
Informed Activated Patient
Productive
Interactions & Relationships
Prepared, Proactive Practice Team
Prepared, Proactive Community (Partners)
Population Health Outcomes/ Functional and Clinical Outcomes

Source: Victoria J Barr et al; Hospital Quarterly Vol. 7, No. 1, 2003; The Expanded Chronic Care Model

The Expanded Chronic Care Model links people with their health system and community, and envisions the development of skills and provision of support to improve health outcomes for people overall and individuals with respect to their personal health outcomes. The model focuses on four areas; self-management support, decision support, delivery system design and information systems.

**Exhibit 3—Modifiable Risk Factors and the Social Determinants of Health**

| Modifiable Risk Factors[a] | Social Determinants of Health[b] |
|---|---|
| Unhealthy weight<br>Unhealthy eating<br>Physical inactivity<br>Smoking | Income and social status<br>Education and literacy<br>Employment & working conditions<br>Social environments<br>Physical environments<br>Personal health practices & coping skills<br>Healthy child development<br>Biology and genetics<br>Health services<br>Gender<br>Culture<br>Social support networks |

Source: Public Health Agency of Canada, 2011 and 2010

[a] Modifiable risk factors are those behaviors that a person can be change to reduce their risk of developing a chronic disease

[b] Social determinants of health indirectly contribute to a person's health status. There are numerous correlations between the determinants of health and the health of populations.

### Exhibit 4—Basic Care Processes for People with Diabetes to be Delivered Annually

| Care | Objective | Target |
|---|---|---|
| **Self-monitoring of blood glucose** | Reinforce patient's responsibility for regular monitoring as appropriate<br>Ensure patient can use glucose meter, interpret SMBG results and modify treatment as needed<br>Develop an SMBG schedule with patient and review records | Preprandial (mmol/L)<br>4.0–7.0 for most patients<br>2-hour postprandial (mmol/L)<br>5.0–10.0 for most patients<br>5.0–8.0 if not achieving A1C target |
| **Blood glucose control** | Measure A1C every 3 months for most adults<br>Consider testing at least every 6 months in adults during periods of treatment and lifestyle stability, and when glycemic targets are being consistently achieved | A1C<br>≤7.0% for most patients<br>See "Targets," p. S29 |
| **Blood glucose meter accuracy** | Compare meter results with laboratory measurements at least annually, and when indicators of glycemic control do not match meter | Simultaneous fasting glucose/meter lab comparison within 20% |
| **Hypertension** | Measure BP at diagnosis of diabetes and at every diabetes clinic visit | <130/80 mm Hg |
| **Waist circumference** | Measure as an indicator of abdominal fat | Target WC: M <102 cm, F <88 cm (see ethnic-specific values in "Management of Obesity in Diabetes," p. S77) |
| **Body mass index** | Calculate BMI: mass in kg/(height in m)$^2$ | Target BMI: 18.5–24.9 kg/m$^2$ |
| **Nutrition** | Encourage nutrition therapy (by a Registered Dietitian) as an integral part of treatment and self-management (can reduce A1C by 1–2%) | Meet nutritional needs by following ***Eating Well with Canada's Food Guide*** |
| **Physical activity** | Discuss and encourage aerobic and resistance exercise<br>Consider exercise ECG stress test for previously sedentary individuals at high risk for CAD planning exercise more vigorous than brisk walking | Aerobic: ≥150 minutes/week<br>Resistance: 3 sessions/week |
| **Smoking** | Encourage patient to stop at each visit; provide support as needed | Smoking cessation |
| **Retinopathy** | Type 1 diabetes: Screen 5 years after diagnosis, then rescreen annually<br>Type 2 diabetes: Screen at diagnosis, then every 1–2 years if no retinopathy present<br>Screening should be conducted by an experienced eye care professional | Early detection and treatment |
| **Chronic kidney disease** | Identification of CKD requires screening for proteinuria using random urine ACR and assessment of renal function using a serum creatinine converted to eGFR<br>Type 1 diabetes: In adults, screen after 5 years duration of diabetes, then annually if no CKD<br>Type 2 diabetes: Screen at diagnosis, then annually if no CKD<br>If CKD present, perform ACR and eGFR at least every 6 months | ACR (mg/mmol)<br>Normal: M <2.0; F <2.8<br>Microalbuminuria: M 2.0–20.0, F 2.8–28.0<br>Macroalbuminuria: M >20.0, F >28.0<br><br>CKD if eGFR ≤60 mL/min |
| **Neuropathy/ foot examination** | Type 1 diabetes: Screen 5 years after diagnosis, then rescreen annually<br>Type 2 diabetes: Screen at diagnosis, then annually<br>Screen for neuropathy with 10-g monofilament or 128-Hz tuning fork at dorsum of great toe. In foot exam, look for structural abnormalities, neuropathy, arterial disease, ulceration, infection | Early detection and treatment<br>If neuropathy present: foot care education, specialized footwear, smoking cessation<br>If ulcer present: manage by multidisciplinary team with expertise |
| **CAD assessment** | Conduct CAD risk assessment periodically: CV history, lifestyle, duration of diabetes, sexual function, abdominal obesity, lipid profile, BP, reduced pulses, bruits, glycemic control, retinopathy, eGFR,ACR<br>Measure baseline resting ECG, then every 2 years if: age >40 years, duration of diabetes >15 years, symptoms, hypertension, proteinuria, bruits or reduced pulses<br>High-risk categories include:<br>Men ≥45 years, women ≥50 years or<br>Men <45 years, women <50 years with 1 of: macrovascular disease, microvascular disease (especially retinopathy, nephropathy), multiple additional risk factors (especially family history of premature coronary or cerebrovascular disease in 1st-degree relative), extreme single risk (e.g., LDL-C >5.0 mmol/L, systolic BP >180 mm Hg) or duration of diabetes >15 years and age >30 years | Vascular protection: first priority in prevention of diabetes complications is reduction of CV risk by vascular protection through a comprehensive multifaceted approach:<br>All people with diabetes: optimize BP, glycemic control and lifestyle (weight, exercise, smoking)<br>People with diabetes and at high risk of CV event, additional interventions: ACE inhibitor/ARB antiplatelet therapy (as indicated) and lipid-lowering medication (primarily statins) |
| **Dyslipidemia** | Measure fasting lipid levels (TC, HDL-C,TG and calculated LDL-C) at diagnosis of diabetes, then every 1–3 years as clinically indicated. Test more frequently if treatment initiated | Lipid targets for those at high risk for CAD:<br>Primary target: LDL-C ≤2.0 mmol/L<br>Secondary target:TC/HDL-C <4.0 |

Source: *Canadian Diabetes Association 2008 Clinical Practice Guidelines for the Prevention and Management of Diabetes in Canada*

Care objectives: People with diabetes will have better outcomes if primary health care providers: 1) identify patients with diabetes in their practice; 2) assist them by incorporating the suggested care objectives; 3) schedule diabetes-focused visits; and 4) use diabetes patient care flow sheets and systematic recall for visits.

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# Chapter 33
# Regulating Meat Safety

## 1.0 MAIN POINTS

Saskatchewan laws allow the sale of meat to customers without the meat being inspected. Almost all Canadian provinces require mandatory inspections of meat as well as of slaughter plants. Also, Saskatchewan is the only Province where the responsibility for meat safety is handled by more than one ministry. Saskatchewan's approach to regulating the slaughter of animals to produce meat for human consumption might be outdated. We recommend that the Government assess the risks related to uninspected meat and consider updating its regulations.

In general, slaughter plants that handle larger volumes of meat choose to have the meat they produce inspected in provincial or federal programs. As a result, much of the meat for sale in Saskatchewan is inspected. Fourteen of Saskatchewan's 90 slaughter plants have an in-depth provincial or federal inspection. These in-depth regular inspections aim to ensure that the meat is safe for human consumption. In-depth inspections examine the animal, the slaughter process, the carcass, the plant including the equipment, and the meat. Farmers voluntarily choose to have their animals slaughtered at plants that are provincially or federally inspected because large retail customers require this inspection before they purchase meat.

The Ministry of Health (Health) oversees regional health authorities whose public health inspectors annually inspect whether or not 76 slaughter plants are sanitary – this slaughter plant inspection is mandatory (with the exception of farmgate operations). This inspection is of the slaughter plant only and does not include meat.

We found that Health needs to improve its processes to oversee the work of regional health authorities that inspect and license the 76 slaughter plants subject to its inspections. Health does not monitor the number of animals slaughtered at these plants, review follow-up reports about slaughter plants assessed as medium to high risk of producing unsafe meat, or verify that regional health authorities promptly re-inspect high-risk plants to ensure deficiencies are corrected promptly.

The Ministry of Agriculture (Agriculture) oversees in-depth inspections in 11 slaughter plants that sell meat more widely within the Province – this in-depth meat and slaughter plant inspection is voluntary. We found that Agriculture had good processes to oversee the safety of meat from the 11 slaughter plants it inspects. We did not examine the processes used at the three plants that the Federal Government inspects.

We make 10 recommendations to strengthen the processes that help keep meat safe in Saskatchewan.

## 2.0 INTRODUCTION

In Saskatchewan, two ministries have responsibility by law for regulating the production of meat that is safe for human consumption—the Ministry of Health (Health) and the Ministry of Agriculture (Agriculture). Section 3.1 explains the relevant legislation. Both ministries work with other agencies to carry out their roles. We audited whether these two ministries properly carry out their oversight roles. Saskatchewan laws allow the sale of meat to consumers without inspection of the meat. If meat is sold commercially, it must come from a slaughter plant that has been inspected.

Health must oversee regional health authorities whose public health inspectors annually inspect whether or not 76 slaughter plants are sanitary—this slaughter plant inspection is mandatory (with the exception of farmgate operations). These slaughter plant inspections assess annually that slaughter plant premises and equipment are clean and can keep carcasses sufficiently cold. These slaughter plant inspections do not include an inspection of the meat produced.

Agriculture must oversee inspections in 11 slaughter plants that sell meat more widely within the province—this meat and plant inspection is voluntary. Slaughter plants voluntarily register in Saskatchewan's Domestic Meat Inspection Program (DMI Program) to obtain these inspections for both meat and plant. Under the DMI Program, inspectors assess slaughter plants' routine processes to prevent the contamination of meat during the slaughter and also assess that the premises and equipment are sanitary. If Agriculture inspects a slaughter plant, then the slaughter plant does not require a plant inspection by Health, as described above. Agriculture contracts with the Canadian Food Inspection Agency (CFIA)[1] to perform these DMI Program inspections.

Saskatchewan's approach to regulating the slaughter of animals to produce meat for human consumption might be outdated. As explained in Section 3.2, almost all Canadian provinces require mandatory inspections of meat as well as slaughter plants.

# 3.0 BACKGROUND

## 3.1 Saskatchewan Legislation Regulating Meat Safety

In Saskatchewan, slaughtering meat is governed under three provincial acts and related regulations and also under federal acts and regulations.

- *The Public Health Act, 1994, The Sanitation Regulations, 1964,* and *The Public Health Officers Regulations*
  - Provincial legislation giving powers to public health inspectors to conduct inspections and outlines requirements for safe food
- *The Diseases of Animals Act, 1966* and *The Regulations Governing the Inspection of Meat in Domestic Abattoirs, 1968*
  - Provincial legislation authorizing standards for the humane treatment of animals; procedures before, after, and during slaughter; the disposal of carcasses and waste; and the safe handling of meat products

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[1] The CFIA is a federal agency responsible for administering and enforcing 13 federal statutes and 38 sets of regulations, for regulating the safety and quality of food sold in Canada, and for supporting a sustainable plant and animal resource base. The Agency's activities include registering and inspecting establishments as well as testing food, animals, plants and their related products.

- *The Animal Products Act, 1978*
  - Provincial legislation giving inspectors the power to search, seize, inspect, or detain animals or animal products
- *The Meat Inspection Act, 1985* and *The Meat Inspection Regulations, 1990*
  - Federal legislation setting standards for inspecting meat sold across provincial or territorial boundaries.

Even though the Ministries of Agriculture and Health carry out their responsibilities for regulating meat safety in Saskatchewan through other agencies, each Ministry remains responsible for ensuring that the regulations are carried out and enforced as explained in **Figure 1**.

**Figure 1—Agriculture and Health Ministries Regulate Meat Safety Through Other Agencies**

Agriculture contracts with Canadian Food Inspection Agency and must oversee these federal inspectors:[2]

*The Regulations Governing the Inspection of Meat in Domestic Abattoirs, 1968* (section 6) assigns federal inspectors to carry out inspections of slaughter plants, animals, slaughter processes, carcasses and prepared meat for plants that are within the Saskatchewan Domestic Meat Inspection Program.

Agriculture is responsible for overseeing federal inspectors, enforcing the Regulations, and registering eligible plants in the Ministry's voluntary Saskatchewan Domestic Meat Inspection Program.

Health must oversee regional health authorities and their public health inspectors:

*The Public Health Act, 1994* (sections 7, 25 and 53(1)) gives regional health authorities the responsibility to do inspections, issue licenses or health hazard orders, and enforce *The Sanitation Regulations, 1964*.

Health is responsible for overseeing that regional health authorities carry out this role effectively.

Source: Saskatchewan legislation

Inspections of plants and meat do not guarantee that meat will be safe. Inspections contribute to producing meat that is slaughtered, cut and packaged at an acceptable standard. Meat must still be carefully cleaned, prepared, and cooked.

Contamination of meat is commonly bacterial, and sometimes is chemical or physical (e.g., with pieces of bone or other items that should not be in the meat). Meat can be contaminated at the source-animal, during slaughter or processing, or by food handlers (e.g., at retail outlets, restaurants, or in homes). Meat can also be contaminated while it is being eaten due to unclean hands or utensils. The most common contaminants of meat or poultry are *Campylobacter, Salmonella bacteria,* and *Escherichia coli (E. coli).*

It is not known how many people become ill due to contaminated meat. In most cases, contaminated food results in diarrhea and/or vomiting for about three days. Because the illness does not last long, most people do not consult a doctor. However, contamination from very toxic bacteria can cause extreme illness requiring hospitalization. In Canada, about 35 to 40 people die annually due to food-borne illness.[3]

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[2] The Ministry of Agriculture's agreement with the Canadian Food Inspection Agency expires December 31, 2013.

[3] Conference Board of Canada. (2012). Improving food safety in Canada: Toward a more risk-responsive system, p. 10.

Three types of inspections related to meat safety take place in Saskatchewan—slaughter plant inspections, DMI Program inspections (meat and plant), and federal inspections (meat and plant). The nature of these inspections varies:

- Slaughter plant inspection – Health oversees the inspections of slaughter plants that operate under a health license. This inspection does not inspect the animals, carcasses, and meat. This inspection is *mandatory* if slaughter plants are not inspected under the DMI Program or under Federal inspection. In Saskatchewan, in 2011-12, public health inspectors employed by regional health authorities inspected 76 slaughter plants to determine if the slaughter plants and related equipment were sanitary and appropriate for slaughter purposes. Meat sold commercially in Saskatchewan must come from an inspected slaughter plant, whether or not the meat is inspected (*The Sanitation Regulations, 1964,* section 22). Health does not know the number of animals slaughtered at the inspected slaughter plants. The Regulations do not require that Health collect this information.

- DMI Program inspection – Agriculture oversees the inspections of the animal, slaughter plant, slaughter process, carcass, and meat cutting and processing under the Saskatchewan Domestic Meat Inspection Program (DMI Program). This inspection is *voluntary* and the meat may only be sold within the province. In Saskatchewan in 2012, 11 slaughter plants were provincially inspected for compliance with *The Regulations Governing the Inspection of Meat in Domestic Abattoirs, 1968* and related standards. If a slaughter plant undergoes a DMI Program inspection, then it is not required to have a slaughter plant inspection by Health, as described above. The Ministry of Agriculture has a formal agreement with CFIA for federal inspectors to assess compliance with these provincial Regulations for the production of meat (the agreement expires December 31, 2013). Manitoba and British Columbia have similar agreements. In 2011-12, these plants handled 72,747 animals including over 5,000 cattle, 33,600 swine, and thousands of other animals (e.g., chickens, lamb, rabbits, bison, goats).

- Federal inspection - This is an inspection of the animal, slaughter plant, slaughter process, carcass, and meat cutting and processing under *The Meat Inspection Regulations, 1990*. This inspection is *mandatory* for inter-provincial and international transport or sale of meat.[4] In Saskatchewan in mid-2012, three slaughter plants operated under federal Regulations and were federally inspected by CFIA.[5] If a slaughter plant undergoes a federal inspection then it is not required to have a plant inspection, as described above.

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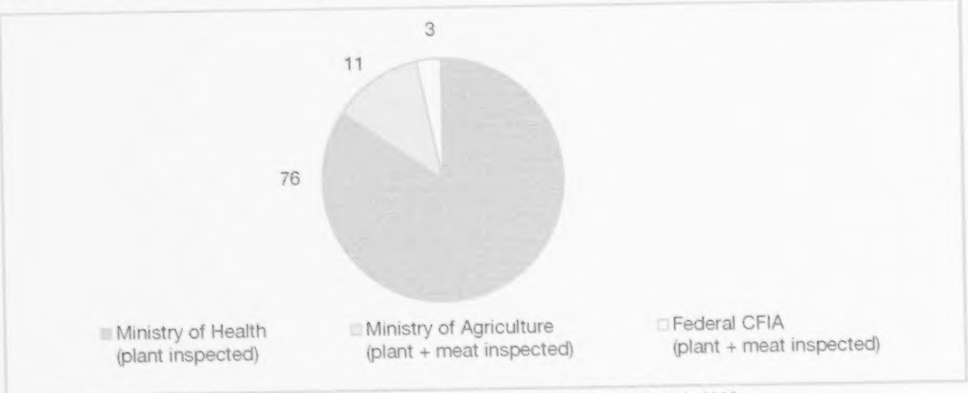
[4] To sell meat across international borders requires more rigorous inspection based on ISO 22000 or European Union standards. ISO 22000 is an international food safety standard developed by the International Organization for Standardization. It is a framework for a Food Safety Management System incorporating Good Manufacturing Practices, Hazard Analysis Critical Control Point principles and ISO 9001:2000 elements.

[5] CFIA website, August 2012, states CFIA also inspects six plants that process meat from carcasses slaughtered elsewhere.

**Figure 2—Types of Inspections Conducted in Saskatchewan's 90 Slaughter Plants, 2011-12**



Source: Saskatchewan Ministry of Agriculture and Ministry of Health, and CFIA website July 2012.

Currently, the number of slaughter plants is declining in Saskatchewan. In 2009, Saskatchewan had 96 slaughter plants and by 2012 it had 90 plants. This decline could be a response to fewer livestock on Saskatchewan farms since 2006.[6] It also reflects the closure of some federally inspected plants. Saskatchewan farmers and ranchers now ship more animals to large plants outside Saskatchewan.

After the CFIA inspects meat in Saskatchewan, the meat is labelled "*Canada Inspected [plant identification number]*" to designate it comes from a federally inspected plant or "*Canada Inspected [plant identification number] Sask*" to designate it comes from a provincially inspected plant. CFIA inspected plants label all the meat they prepare with that plant's number so that the source of all inspected meat can be tracked. Some retailers purchase only meat that carries these labels because it shows the meat was inspected and identifies its source. As a result, some plant operators voluntarily request that their meat be inspected under the DMI Program.

## 3.2 National Legislation Regulating Meat

As previously noted, slaughtering meat is governed by federal and provincial legislation and standards. The federal CFIA uses the broad *Food and Drug Act, 1985* to regulate food safety, supported by specific legislation about inspecting and labelling food.[7] As part of its role, CFIA inspects food and recalls food that is unsafe for any reason. CFIA focuses on food that crosses provincial or national borders (e.g., is slaughtered or processed in one province and sold in another).

Provincial ministries regulate meat safety within each province. The ministry responsible and the regulatory approach varies across Canada, as set out in **Figure 3**. Saskatchewan is the only province that assigns this responsibility to two ministries.

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[6] SaskTrends Monitor, April 2012, p. 5.

[7] Federal legislation governs specific aspects of meat sales: *The Canada Agricultural Products Act*, *The Meat Inspection Act 1985*, the related *Meat Inspection Regulations, 1990*, and the food provisions of *The Consumer Packaging and Labeling Act*. In June 2012, the Federal Government proposed *The Safe Food for Canadians Act, 2012*. If passed by Parliament, this Act would separate the food and drug aspects of *The Food and Drug Act* and would consolidate other legislation relevant to food safety.

**Figure 3—Varied Approaches to Regulating Meat in Canadian Provinces 2012**

| | BC | Alta | SK | Man | Ont | Que | NB | PEI | NS | Nfld-L |
|---|---|---|---|---|---|---|---|---|---|---|
| **Agriculture** | X [8] | X | X | X | X | X | | | X | X |
| **Health** | | | X | | | | X | X | | |
| **Inspect all meat before sale** | Yes except remote locales | Yes | No | Yes except poultry | Yes | Yes | No | Yes cold carcass | Yes except farmgate | No |
| **Allow farmgate sales** | No | No | Yes | No except poultry | No | No | No | No | Yes | Yes |

Source: September 2012 information from Saskatchewan Ministry of Agriculture and Ministry of Health.

In Saskatchewan, for commercial sale of meat, it is mandatory to inspect the plant where the meat is slaughtered, but it is not mandatory to inspect the meat produced. As shown in **Figure 3**, most other provinces require that both the plant and the meat be inspected before the meat is sold. Saskatchewan, New Brunswick, and Newfoundland and Labrador are the only provinces where the meat may be sold commercially to consumers without being inspected. In 2012, the Government does not know how many animals are slaughtered in the Province or how much meat enters the food chain without being inspected.

"Farmgate sales" of meat refers to locally-produced meat sold directly from the producer to consumers. For example, consumers may go to a farm to purchase meat. Saskatchewan does not have regulations governing farmgate sales. As explained in **Figure 3**, most provinces regulate farmgate sales so that all meat is inspected before sale.

Management stated that the ministries of Agriculture and Health consulted with stakeholders in 2005-06 about possible legislative changes. No changes resulted from this consultation. In early 2012, Agriculture (assisted by Health) was consulting with stakeholders about ways to regulate meat. The objective of this consultation was to guide Saskatchewan's response to the Federal Government's announcement in 2011 that federal CFIA inspectors will no longer inspect meat for three Provinces after December 2013.

1. **We recommend that the Government of Saskatchewan formally assess the risks related to uninspected meat and consider updating its regulations for the production of meat that is safe for human consumption.**

## 4.0 Audit Objective, Scope, Criteria, and Conclusions

The objective of this audit was to assess whether the Ministry of Agriculture and the Ministry of Health each had effective processes during September 1, 2011 to August 31,

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[8] Meat safety is regulated through the British Columbia Centre for Disease Control.

2012 to regulate the production of meat that is safe for human consumption when it is handled by slaughter plants within Saskatchewan.

The audit focused on the Government's regulations and its oversight to prevent contamination of meat due to unsanitary processes in slaughter plants. The audit excluded the handling and further processing of meat. The audit also excluded federal inspections of slaughter plants under federal regulations.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the regulatory processes, we used criteria based on legislation, our related work, reviews of literature including reports of other auditors, and consultations with management and an external advisor. Section 7.0 includes key sources for these criteria. Management of the Ministry of Agriculture and the Ministry of Health agreed with the criteria in **Figure 4**.

**Figure 4—Audit Criteria for Processes to Regulate the Production of Safe Meat**

To have effective processes to regulate the production of meat that is safe for human consumption when it is handled by slaughter plants within Saskatchewan, the Ministries of Agriculture and Health should each:

1. **Set standards for regulating the production of meat**
    - Identify key risks to be addressed
    - Monitor regulatory practices in other jurisdictions
    - Approve standards for operating practices (e.g., sanitation) and inspection practices
    - Coordinate roles for regulating the safety of meat
    - Communicate standards to plant operators and inspectors
2. **Enforce compliance with authorities (legislation, regulations, standards)**
    - Oversee inspection practices (e.g., on-site audits, file review, verify reports)
    - Use enforcement tools where warranted (e.g., fines, license suspension)
    - Monitor follow-up of corrective action
    - Address complaints (e.g., about inspections, non-compliance)
    - Review reports of enforcement activities and results
3. **Report results of enforcement activities**
    - Report results to plant operators (e.g., explain standards and required action)
    - Make compliance results publicly available (e.g., website or on request)
    - Analyze trends in non-compliance overall and at each plant
    - Report results to senior management

The two ministries that regulate the production of meat for human consumption in Saskatchewan have different responsibilities and processes.

As explained in Section 3.1, Agriculture regulates the condition of the live animals, the slaughter process, and the carcass, as well as the slaughter plant and equipment. Agriculture's inspections are voluntary, not mandatory. Some slaughter plant operators voluntarily request inspections under Saskatchewan's Domestic Meat Inspection Program. These inspections are conducted daily or whenever meat is slaughtered.

**We concluded that the Ministry of Agriculture had effective processes during September 1, 2011 to August 31, 2012 to regulate the production of meat that is safe for human consumption when it is handled by the 11 slaughter plants within Saskatchewan's Domestic Meat Inspection Program.**

**We found that the Government of Saskatchewan does not require an inspection of all meat produced in 76 slaughter plants and meat produced for farmgate sales.**

As explained in Section 3.1, Health regulates slaughter plants and requires that they be licensed. Regional health authorities conduct annual inspections of how plants are built, the equipment used, safe storage of the meat, access to clean water, and safe waste disposal. This plant inspection is mandatory. Meat is not inspected in these plants.

**We concluded that the Ministry of Health did not have effective processes during September 1, 2011 to August 31, 2012 to regulate the production of meat that is safe for human consumption when it is handled by the 76 inspected slaughter plants within Saskatchewan.** Health did not have sufficient information to know if regional health authorities effectively inspected slaughter plants and resolved identified problems to enforce *The Sanitation Regulations, 1964*. These inspections are typically done annually versus daily.

As explained in Section 3.1, Saskatchewan does not require all meat to be inspected.

We set out our key findings and recommendations for Agriculture in Section 5.0 and Health in Section 6.0.

# 5.0 KEY FINDINGS AND RECOMMENDATIONS—AGRICULTURE

## 5.1 Standards Set for Regulating Meat May Need Updating

Agriculture uses several methods to routinely identify and monitor risks. Agriculture monitors trends in animal diseases to identify risks. It attends federal/provincial/territorial meetings to discuss emerging risks and industry changes with officials and experts in other jurisdictions. Health also attends some of these meetings.

Agriculture provides slaughter plant operators with its *Standards for Domestic Meat Inspection Program* (Standards) when the slaughter plant joins the voluntary Saskatchewan Domestic Meat Inspection Program (DMI Program). It also provides plant operators with an electronic copy of the Standards periodically by email. The Standards provide very detailed requirements and explain the desired outcomes and the rationale (e.g., prevent contamination of the meat). For example, the Standards provide detailed instructions for slaughter plant design and construction, equipment, water supply, staffing, processing, and meat storage. The Standards also address the required condition of the animal and the carcass. Agriculture developed these standards in collaboration with the federal CFIA in 2002. Given that ten years have passed, Agriculture's Standards may need to be updated. Agriculture can benefit by reviewing its Standards with CFIA to determine if updates are needed.

In June 2011, the Federal Government announced that, after December 2013, it will no longer provide inspection services to help enforce provincial regulations. Management stated that it is working toward a new system for inspecting meat.

2. **We recommend that the Ministry of Agriculture review its standards for regulating meat production and formally approve them.**

The Ministries of Agriculture and Health work together informally. Management in both ministries stated they do not use written guidance about when and how to work together as the staff are experienced. We did not detect any gaps in critical communication. That is, when a slaughter plant withdrew from Agriculture's voluntary DMI Program and continued to operate, we found that the plant received the plant inspection that is mandatory under *The Sanitation Regulations, 1964*.

## 5.2 Standards Enforced and Monitored

As outlined in Section 3.1, Agriculture enforces the regulations relevant for inspecting meat through the CFIA. Agriculture has a formal agreement with CFIA. CFIA agrees to inspect slaughter plants that are registered in Agriculture's DMI Program. The CFIA agrees to use inspectors that are trained in meat hygiene standards. In 2012, 11 slaughter plants voluntarily participated in the DMI Program.

The CFIA inspections assess whether the slaughter plants comply with the provincial *Regulations Governing the Inspection of Meat in Domestic Abattoirs, 1968* (Regulations) and the Standards. The meat can then be stamped *Canada Inspected* (see Section 3.1) and sold within Saskatchewan.

CFIA inspectors provide inspections during slaughter in the 11 slaughter plants that are registered in the DMI Program. CFIA inspectors assess the plant, each animal, the slaughter process, and the carcass and how it is kept clean and cold. Under the DMI Program, whenever these 11 plants are slaughtering animals, CFIA inspectors attend.

CFIA inspectors verbally communicate all deficiencies to the plant operator immediately as well as noting the problems in a monthly inspection report. For example, the inspector assesses the plant before slaughtering begins. If the plant does not comply with the Standards, the problem (e.g., dirty equipment) must be corrected before the inspector allows slaughtering to begin. CFIA inspects the slaughter process throughout and stops the process if there is a risk of contamination. The CFIA inspector has authority to halt slaughtering operations indefinitely until a deficiency is corrected. In this way, Agriculture enforces the Regulations and the related Standards.

CFIA inspectors submit monthly reports to Agriculture with detailed findings. Agriculture reviews the reports and decides if any issues require more action than already taken by the CFIA inspector on-site. It is Agriculture's responsibility to enforce the relevant legislation by taking further action if there are unresolved issues. During our audit period, there were no unresolved issues and Agriculture did not require any slaughter plant to withdraw from the DMI Program. Prior to our audit period, slaughter plants periodically withdrew from the DMI Program and/or ceased to operate.

Because slaughter plants voluntarily enter the DMI Program for business reasons (e.g., to sell government inspected meat), the plants are co-operative with the CFIA inspectors that constantly observe their slaughter processes. Agriculture communicates regularly with the 11 plants to reinforce the meat inspection Standards.

Agriculture has formal methods to oversee how the CFIA inspectors do their inspections at the 11 slaughter plants in the DMI Program. It verifies that it receives reports for every plant every month. It also regularly reviews the inspection reports it receives to determine if further action is required to enforce the Regulations. For example, if the same issue arises repeatedly, Agriculture visits the plant to assess the problem and advises the CFIA inspector. Agriculture conducts unannounced on-site audits in each plant annually to assess the plant and the CFIA's inspection work. We noted that Agriculture planned these on-site audits to occur at different times of the year (on a rotation basis) to help it identify any risks related to seasonal activities.

Monitoring complaints from the public can provide an early alert that sanitation practices are not adequate. Agriculture stated it received one complaint during our audit period and worked with the CFIA inspector on-site to resolve it promptly.

## 5.3 Improve Reporting of Results

Plant operators receive timely and useful reports. Plant operators receive immediate verbal feedback from CFIA inspectors. Inspectors observe each slaughter and provide comments before, during, and after the slaughter. Inspectors explain what corrective action must be taken immediately and what can be done before the next scheduled slaughter day. Plant operators also receive a copy of the monthly report that CFIA inspectors send to Agriculture.

In addition, the plant operator annually receives Agriculture's audit report on the slaughter plant. This report highlights any ongoing questions about the plant's structure, equipment, or capacity.

Agriculture does not make public the results of slaughter plant inspections for plants registered in the DMI Program. Agriculture does not provide plants with a license that could be posted for the public. Management explained that it gets calls from the public asking if particular slaughter plants are registered in the DMI Program. Agriculture provides this information in response to requests.

Agriculture does not use its public website to advise the public that slaughter plants are inspected. For public safety purposes, other provinces have public websites that list licensed slaughter plants (as explained in Section 6.3). When Agriculture receives public inquiries about slaughter plants, it provides information about whether the plant is registered as part of the voluntary DMI Program or is registered for the federal CFIA inspections that enable processed meat to be sold across provincial boundaries. A public website would provide the public with some assurance that the slaughter plants have been inspected.

3. **We recommend that the Ministry of Agriculture update its public website to include a list of all the slaughter plants registered in the Saskatchewan Domestic Meat Inspection Program.**

In 2012, Agriculture began to analyze trends in inspection results by slaughter plants. These trends will show if slaughter plants do not comply with Regulations. Agriculture does not report to senior management the nature of problems in slaughter plants overall. Instead, Agriculture informs senior management and the public if there is a disease outbreak in animals that is of concern.

4. **We recommend that the Ministry of Agriculture provide a report quarterly to its senior management on the causes of sanitation problems in slaughter plants and actions taken to enforce *The Regulations Governing the Inspection of Meat in Domestic Abattoirs, 1968*.**

# 6.0 KEY FINDINGS AND RECOMMENDATIONS—HEALTH

## 6.1 Standards for Sanitation in Slaughter Plants Require Updating

When governments regulate a process, they are responsible for identifying significant risks, setting standards to control those risks, communicating the standards, and enforcing them. The standards may be set out in laws, regulations, or policies. To be applied consistently, standards should be written, approved, and formalized (e.g., in written agreements).

Health identifies risks of contaminated meat primarily through daily and weekly analysis of trends in illnesses caused by food. It tracks illnesses using physicians' reports of specific illnesses (as required by *The Public Health Act, 1994*). Health compares Saskatchewan illness trends to trends across Canada and around the world. In addition, it monitors trends in drugstore sales of over-the-counter drugs used to control diarrhea and vomiting. A sudden spike in sales of these drugs could indicate a disease outbreak and would be investigated. Health receives disease investigation reports that help it identify what is causing a disease and assess the related risks.

Like Agriculture, Health identifies emerging risks during federal/provincial/territorial meetings where it exchanges information with other jurisdictions. At these meetings, officials and experts discuss challenges and actions that could reduce risks such as contaminated meat. Health also periodically analyzes long-term disease trends to monitor risks.

Health uses the standards set out in *The Sanitation Regulations, 1964*. These Regulations were last updated in 1988. These Regulations provide basic standards that state how a slaughter plant is to be built (e.g., cement floor, screened windows, water supply) and how it must be operated. For example, the plant must be operated in a "sanitary manner" and the chill room for hanging carcasses must be maintained at 32 to 38° Fahrenheit, that is, 0-3° Celsius. In addition, Health has technical guidelines for treating waste products and disposing of infected carcasses.

Public health inspectors, under *The Public Health Officers Regulations*, are required to hold a certificate in Public Health Inspection. This certificate requires formal education in the areas of food safety, sanitation and microbiology.

Health provides public health inspectors with a standard inspection form that outlines what is to be inspected in all types of food premises. The form is not specific to slaughter plants but inspectors can apply the form to assess if slaughter plants comply with sanitation standards. The back of the inspection form explains what the plant operator should do and what the inspector should expect for the 15 items inspected—some items are explicitly explained and some are not (e.g., use an "approved method" for sanitizing knives or equipment). Some items on the form are not relevant to slaughter plants (e.g., requirements for keeping cooked food hot).

To communicate these standards, the inspector provides the completed form to the slaughter plant operator after each inspection. The form lists the standards, in general terms, the operator must meet to be licensed. Some slaughter plants also prepare and package meat (i.e., meat processing). Health does not provide slaughter plants with standards about meat processing although it lists general food processing "best practices" on its website.

Without specific, written standards that are readily available, it is more difficult for slaughter plants to produce meat that is safe and more difficult for regional health authorities to effectively inspect slaughter plants. Health's practice is inconsistent with Agriculture's. Agriculture provides slaughter plants with detailed standards that include the sanitation of the plant and equipment. Consistent sanitation standards would be useful to slaughter plants whether they are very small or larger operations.

5. **We recommend that the Ministry of Health, consulting with the Ministry of Agriculture and regional health authorities, develop and approve detailed sanitation standards for slaughter plant operations.**

Effective communication and coordination of roles across ministries is important to rapidly control emerging risks including uninspected slaughter plants or contaminated meat. Agriculture and Health work together informally to regulate the production of safe meat in Saskatchewan. They communicate about changes in the participation of slaughter plants in Agriculture's voluntary DMI Program to reduce the risk of an uninspected slaughter plant.

## 6.2 Standards Enforced by Regional Health Authorities but Not Monitored by Health

As explained in Section 3.1, regional health authorities must enforce *The Sanitation Regulations, 1964* and their public health inspectors inspect slaughter plants. Health's role is overseeing the process, making requirements clear, and reviewing reports.

Health has an arrangement with regional health authorities to inspect slaughter plants. Health does not provide regional health authorities' public health inspectors with specific standards for how to inspect slaughter plants (see recommendation 5). Instead, Health guides inspectors to assess if slaughter plants comply with the 15 sanitation standards listed on its inspection form (e.g., handwashing routine, cool storage, clean containers, garbage removal, rodent control).[9]

Health relies primarily on ad hoc and informal processes to oversee the enforcement carried out by regional health authorities. Each year, Health produces a report of the total number of slaughter plant inspections from its public health information system (described later). Sometimes it receives phone calls or e-mails about slaughter plants that are of concern to inspectors. Health provided us with an example from 2009. It does not keep records of this informal information. Health does not monitor the size of slaughter plants or the number and types of animals slaughtered. As a result, Health cannot adequately assess risks.

Regional health authorities routinely submit part of their inspection results through the public health information system as required by Health. They do not submit the narrative of inspectors' concerns or the list of corrective actions. Instead, Health receives electronic reports that note whether the regional health authority assessed each licensed plant as a low, medium, or high risk, based on identified deficiencies. Medium and high risk plants remain licensed but receive follow-up inspections. Slaughter plants assessed as a medium risk are to be reinspected within six months. Slaughter plants assessed as a high risk are to be reinspected within one month. Regional health authorities do not issue licenses to plants with major deficiencies.

Management does not use its public health information system as a monitoring tool. Management did not know which slaughter plants were at greatest risk (e.g., due to the meat processing carried out in the plant or due to deficiencies identified during inspections). Health did not receive reports that highlight the problems at slaughter plants that inspectors judged to be at high or medium risk. Without receiving complete reports and reviewing this information on a regular basis, Health cannot effectively oversee the enforcement of *The Sanitation Regulations, 1964*.

6. **We recommend that the Ministry of Health obtain more information to help it assess risks to meat safety, including the number of animals slaughtered, in slaughter plants licensed under *The Sanitation Regulations, 1964*.**

We reviewed the current information on the public health information system. Health's management verified with regional health authorities that the risk assessments were accurate. Our analysis found that during 2011-12, regional health authorities inspected 76 plants, and of these, it assessed 9 plants (12%) as having high or medium risks primarily due to the particular plant limitations. For example, some plants did not have adequate handwashing facilities.

Health was unaware that 6 of the 9 high and medium risk plants did not receive follow-up inspections within the required timeframe (i.e., within one to six months). Also, Health was unaware that 3 of 9 high and medium risk plants were located within one health region. It had not investigated the reasons or asked for reports about action taken to get the plant operators to correct the problems. Health does not monitor if regional health authorities' public health inspectors promptly follow-up on identified sanitation risks.

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[9] In some circumstances, public health inspectors also use Health's Food Processing Facility Best Management Practices.

Health stated that it expects the regional health authorities to monitor follow-up. Health has no process to verify that this occurs. We identified that regional health authorities promptly re-inspected some high risk plants a second time and re-inspected some medium risk plants within six months. These follow-up inspections are essential to determine if the plants correct the identified problems (e.g., poor handwashing facilities). If Health does not confirm that all high and medium risk slaughter plants are carefully re-inspected, it cannot know if its Regulations are properly enforced. Without corrective action, high and medium risk slaughter plants could produce meat that is not safe for human consumption.

In some situations, if slaughter plants continuously fail to comply with *The Sanitation Regulations, 1964*, inspectors can take further action to enforce the Regulations. Health provides regional health authorities with a Public Health Enforcement Manual (Manual). This Manual explains how to enforce the Regulations by using a health hazard order or refusing to license the slaughter plant.

The Manual allows for flexibility in handling local situations. This flexibility might reduce the regulatory burden on the meat industry. It also might mean the Regulations are enforced inconsistently. If the Regulations are not consistently enforced across the province, meat products might not be uniformly safe, even if they are from inspected slaughter plants. Allowing flexibility in handling local situations requires careful oversight by Health.

If a regional health authority finds that a slaughter plant is creating a serious health hazard that could have an impact on a wide area, the regional health authority must inform the Minister of Health (*The Public Health Act, 1994* (section 28)). During our audit period, Health did not receive any health hazard notifications.

Health monitors the notifiable diseases that are associated with meat contaminated by bacteria such as E. coli and Salmonella. Sometimes the illness affects a relatively small number of people (e.g., undercooked turkey dinner). In other situations, many people could become ill due to how the meat was processed or slaughtered. Health must determine whether further illness is likely and decide what actions would reduce the risks (e.g., public education or withdrawing meat products from retail outlets).

7. **We recommend that the Ministry of Health confirm that regional health authorities take appropriate action to ensure that high and medium risk slaughter plants correct identified problems that could reduce the safety of the meat produced.**

In addition to monitoring disease outbreaks, another way to assess if public health legislation is enforced correctly is by monitoring complaints. Health refers complaints to the regional health authorities. It does not require the regional health authorities to document complaints and the steps taken to resolve them. Also, Health does not receive reports about the complaints that regional health authorities receive. Monitoring complaints from the public can provide an early alert that sanitation practices have not been maintained at the level observed during an annual inspection. Analysis of complaints can provide insight to changes needed in the meat safety program.

8. **We recommend that the Ministry of Health analyze regional trends in public complaints about slaughter plants and/or contaminated meat.**

## 6.3 Improve Reporting of Results

Plant inspections occur at each slaughter plant annually. Inspectors explain any repairs required (e.g., screens on windows, cracks in walls filled to reduce insects). When the slaughter plant meets the required standard, the inspector provides an annual license that the operator must post in the slaughter plant in accordance with *The Sanitation Regulations, 1964* (section 23(6)). The posted license informs the public that the results of the inspection were satisfactory.

Health does not use its public website to advise the public that a specific slaughter plant was inspected. For public safety purposes, other provinces have public websites that list licensed slaughter plants (e.g., British Columbia and Ontario). British Columbia organizes its list according to the type of license granted and states if the plant can slaughter beef, chickens, rabbits, etc. Health refers public inquiries to the regional health authority that has current inspection information about local slaughter plants. A public website is an efficient way for the public to be assured a plant was inspected in the current year.

9. **We recommend that the Ministry of Health update its public website to include the inspection results for all slaughter plants licensed under *The Sanitation Regulations, 1964*.**

Health expects the regional health authorities' public health inspectors to explain the results of each inspection to the slaughter plant operator. Inspectors give the slaughter plant operator a completed inspection form that describes what the inspector observed and whether the plant complied with standards. The form also has a narrative section for other facts, the inspector's concerns, and a listing of how the operator must improve sanitation to meet the required standards (i.e., corrective actions required).

As explained previously, Health does not analyze trends in the number of slaughter plants that do not comply with its Regulations. It does not analyze or report to senior management the nature of problems in slaughter plants overall or in high risk slaughter plants specifically.

Health informs its senior management and the public if there is a disease outbreak. Regular review of the results of inspections at high and medium risk slaughter plants would enable Health to determine the nature of reports that would be useful to management.

**10. We recommend that the Ministry of Health provide a summary report quarterly to its senior management on the causes of sanitation problems arising at slaughter plants and the actions taken to enforce *The Sanitation Regulations, 1964*.**

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# Chapter 34

# Regulating Personal Care Homes for Resident Health and Safety

## 1.0 MAIN POINTS

The Ministry of Health (Ministry) is responsible for regulating personal care homes in the province. This requires licensing and inspecting of personal care homes. Personal care homes are privately-owned facilities that provide accommodation, meals, and personal care to senior residents. Saskatchewan has about 245 licensed personal care homes.

For the period April 1, 2011 to August 31, 2012, we found the Ministry did not have fully effective processes to regulate personal care homes. The Ministry did not have a formal process for identifying and inspecting high-risk personal care homes more frequently. During April 2011 to April 2012, the Ministry inspected personal care homes about every two years. As a result, the Ministry issued licenses without recently inspecting personal care homes. After April 2012, the Ministry began inspecting or visiting personal care homes every year.

The Ministry documented inspection results but did not have a good system for tracking and following up problems identified during inspections. When problems are identified through inspections, the Ministry needs to follow up with the identified personal care home to ensure that the problems have been sufficiently addressed. We noted instances where problems identified through inspections continued for more than two years. We provided the Ministry with five recommendations, for the Ministry to:

- Use a risk-based approach to inspect high-risk personal care homes more frequently
- Provide guidance for its staff to assist in determining when to conduct unannounced inspections of high-risk personal care homes
- Provide written guidance to staff for consistent and prompt follow-up of personal care homes that do not comply with actions required after inspections
- Use a system to track personal care home inspection dates, non-compliance issues, required actions, and dates that personal care homes complete these actions
- Publicly report inspection results when personal care homes do not comply with *The Personal Care Homes Act, 1991*

## 2.0 INTRODUCTION

*The Department of Health Act, 1978* (Act) makes the Ministry of Health responsible for developing, coordinating, and maintaining comprehensive healthcare services; developing adequate material and human resources for healthcare; and recommending (to Cabinet) programs to meet healthcare needs. In short, the Ministry is responsible for the oversight of healthcare in Saskatchewan.

In Saskatchewan, people who need help to care for themselves have options that vary according to their needs. While living in their own home, a person may arrange for home care through their Regional Health Authority (RHA) or through private services to receive meals, some household cleaning, and/or help to bathe. As people need more help, they may move to:

- Assisted living facilities (meals, accommodations, activities)
- Special care homes (long-term residential care for ill or disabled people)
- Personal care homes (meals, accommodations, activities, and personal care including assistance with medications if needed)

Assisted living facilities for seniors are not regulated or funded by the Government. Residents arrange for home care services themselves, as they would when living in their own home.

Special care homes are regulated and the Government provides the majority of funding for long-term care through RHAs. Prior to admission, RHAs arrange for health professionals to assess the current care needs and mobility of people seeking long-term care. This helps ensure that people receive the level of care they require. The amount that residents pay for long-term care varies based on income and provincial guidelines.

Personal care homes are regulated by the Government through the Ministry of Health, and residents may receive funding through the Ministry of Social Services, as explained in Section 3.0. Personal care homes are facilities that provide accommodation, meals and personal care to residents. *The Personal Care Homes Regulations, 1996* define personal care as "direct assistance to, or supervision of, a resident in performing activities of daily living, including the administration of medication." Unless the person receiving care is a relative of the owner/operator or receiving care under another authority, all facilities that provide accommodation, meals, and personal care must be licensed by the Ministry of Health.

People using personal care homes are vulnerable due to age, disability, and/or inability of family and other supporters to manage their care. In 2011, Saskatchewan had 75,380 people aged 75 and over, and more than 145,000 people with at least one disability.[1] In 2011-12, about 3,200 Saskatchewan people lived in privately-operated, licensed personal care homes. We audited whether the Ministry effectively regulates personal care homes to ensure that these vulnerable people receive safe care.

## 3.0 BACKGROUND—PERSONAL CARE HOMES

*The Personal Care Homes Act, 1991* and *The Personal Care Homes Regulations, 1996* give the Ministry authority to license and inspect privately-funded personal care homes in the province. The Ministry is responsible for setting licensing requirements and standards for personal care homes including the training required to provide safe care. The Ministry is also responsible for inspecting personal care homes to ensure they meet established standards.

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[1] Statistics Canada. 2011 Census.

The Ministry has four personal care home standards consultants (staff) who license and monitor personal care homes and one additional position dedicated to investigating complaints. These Ministry staff review applications, inspect and license homes, and investigate about 65 complainants or 100 issues annually.

During 2011-12, Saskatchewan had 245 licensed personal care homes (**Figure 1**). Typically, each personal care home has about 10 residents, although there are some with as few as one resident and others with over 100 residents.

**Figure 1—Personal Care Homes and Licensed Bed Capacity by RHA**

| Regional Health Authority | Licensed Personal Care Homes | Licensed Bed Capacity |
|---|---|---|
| Cypress | 5 | 86 |
| Five Hills | 8 | 325 |
| Heartland | 6 | 56 |
| Keewatin Yatthé | 0 | 0 |
| Kelsey Trail | 2 | 25 |
| Mamawetan Churchill | 1 | 10 |
| Prairie North | 5 | 42 |
| Prince Albert Parkland | 27 | 354 |
| Regina Qu'Appelle | 76 | 893 |
| Saskatoon | 93 | 945 |
| Sun Country | 8 | 225 |
| Sunrise | 14 | 248 |
| **Total** | **245** | **3,209** |

Source: Ministry of Health Personal Care Homes Registry

Residents of personal care homes have varied care needs. Some residents have light care needs (e.g., require meals, encouragement to be physically active, reminders for correct and timely medications). Some residents are disabled adults or seniors with moderate to heavy care needs (e.g., help with bathing, skin care, getting into a wheel chair, taking medications). Residents may also need help due to complex health conditions (e.g., chronic illnesses such as diabetes, dementia, recovering from stroke).

Residents pay to live in a personal care home and they expect that the care received in a licensed home will be safe. The cost generally ranges from $1,000 to $4,000 per month and is set by each facility without review by the Ministry (the current legislation does not require review of fees). Some residents living in licensed personal care homes are eligible for an income "top up" from the Ministry of Social Services to help cover accommodation costs (up to $1,800 a month). For example, if a senior resident's monthly income is $1,500 per month and the licensed home's fee is more than this, the resident might receive an additional $300 per month to enable them to stay in a personal care home.

## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry of Health had effective processes to regulate personal care homes in accordance with *The Personal Care Homes Act, 1991* and regulations for the period from April 1, 2011 to August 31, 2012.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry of Health's processes, we used criteria based on the work of other auditors and current literature listed in Section 6.0. The Ministry agreed with the criteria (see **Figure 2**).

In Section 5.0, we set out our key findings and recommendations related to the criteria in **Figure 2**. We based our findings on our examination of the Ministry's policies, processes, directions to staff, relevant communications to personal care homes, etc. We also examined personal care home files, attended inspections of personal care homes, observed the investigation of a complaint, and assessed files documenting investigation of complaints.

**Figure 2—Audit Criteria to Regulate Personal Care Homes**

To have effective processes to regulate personal care homes in accordance with *The Personal Care Homes Act, 1991*, the Ministry of Health should:

1. **License personal care homes**
    - 1.1 Verify applicants meet requirements
    - 1.2 Issue appropriate licenses
    - 1.3 Communicate standards to licensees
    - 1.4 Resolve disputes about licenses
2. **Monitor compliance with personal care home standards**
    - 2.1 Set risk-based priorities for compliance monitoring
    - 2.2 Identify non-compliance (e.g., inspect care homes, conduct surveys)
    - 2.3 Investigate complaints about personal care homes
    - 2.4 Update monitoring schedule to reflect risk (e.g., frequently inspect homes with previous complaints)
3. **Address identified non-compliance**
    - 3.1 Require action on non-compliance
    - 3.2 Escalate action on continued non-compliance
    - 3.3 Inform residents and their family of non-compliance
    - 3.4 Report non-compliance to Minister and the public

**During April 1, 2011 to August 31, 2012, the Ministry of Health did not have fully effective processes to regulate personal care homes in accordance with *The Personal Care Homes Act, 1991*. As such, it needs to perform more timely inspections of high-risk personal care homes. As well, when problems are identified through inspections, the Ministry needs to follow up sufficiently with the identified personal care homes to ensure the problems have been satisfactorily addressed.**

Up until April 2012, personal care homes were inspected about every two years and the renewal of personal care homes licenses was not coordinated with personal care home inspections. On April 1, 2012, during the period we audited, the Ministry implemented a new process for relicensing personal care homes. This new process requires the Ministry to inspect personal care homes prior to renewing licenses.

# 5.0 KEY FINDINGS AND RECOMMENDATIONS

## 5.1 Personal Care Homes Licensed

Upon receiving inquiries about obtaining a license from an individual or organization to operate a personal care home, the Ministry explains the process and provides extensive information about the legislative requirements. The owner of a personal care home is typically the one licensed by the Ministry. The owner of the personal care home may operate it themselves (as an owner/operator), or may hire someone to operate the home on their behalf.

The Ministry requires potential owner/operators to attend a 1.5 day orientation workshop about what is required to operate a licensed personal care home. Some people decide they cannot meet the requirements and withdraw their application for a license.

When the Ministry receives an application to license a personal care home, it uses a checklist to ensure no required documents are missed. Accepted applications contained evidence of key requirements (e.g., evidence of training having been taken, appropriate references).

After assessing an applicant's eligibility (e.g., space, kitchen, fire exits, staffing), Ministry staff inspect homes before granting new licenses. The Ministry issues new licenses soon after this inspection, usually within a month of the pre-licensing inspection. The Ministry generally licenses about 16 new homes each year. In some cases, new licenses may have conditions. For example, a home without exit alarms on doors may not be allowed to have residents who are at a risk of wandering. Similarly, a home without sufficient qualified staff could receive a conditional licence that restricts it from admitting residents requiring heavier care. These conditions ensure that homes receive licenses that are appropriate for the level of care that they can provide.

Once a home is operating, the Ministry consistently communicates with owner/operators about its regulations and detailed care standards. The standards are on its public website and in information packages given to owner/operators. In addition, the Ministry communicates the regulations and standards to staff in personal care homes through handbooks, workshops, and during inspections.

Licenses are in effect typically for one year. Until April 2012, each license usually expired on March 31 and the Ministry renewed licenses using a paper-based application process without physically inspecting each home. The renewal process required owner/operators to self-inspect and submit information to the Ministry. Information submitted included the self-inspected checklist, fire inspection reports, and criminal record checks. The Ministry followed up on non-compliance issues identified through self-inspections. However, because the Ministry did not inspect all homes before renewing licenses in the past, personal care homes with problems might have continued to be licensed when problems warranted additional conditions on the license or license revocation.

In April 2012, the Ministry adjusted its relicensing process. After April 2012, the Ministry renews licenses only after inspections have taken place. This is a significant improvement to the process. Conducting inspections prior to renewing each license will help ensure regulations and detailed care standards continue to be met.

If an applicant disputes a licensing decision initially or upon renewal (e.g., if the Ministry puts a condition on a license), the Ministry's written policies and procedures guide staff in resolving the dispute. While there were no disputes that occurred in our audit period, we noted evidence that the Ministry followed these policies in previous years.

In addition to the Ministry of Health's licensing process, regional health authorities help to monitor that residents of personal care homes receive appropriate care. Regional health authorities assign care professionals (e.g., nurses, social workers) to assess residents' care requirements when they are admitted to a personal care home and re-assess the care required every two years. If residents require more care for short periods (e.g., due to an injury or illness), home care staff provide the required additional professional care. In either case, the regional health authority staff may recommend that the resident receive a higher level of care, possibly requiring a move to another facility.

## 5.2 Identify and Inspect High Risk Homes More Frequently

The Ministry of Health uses routine inspections and investigations to monitor whether personal care homes comply with required standards. Staff inspect some homes more often based on their knowledge of the homes, but the Ministry has not developed a plan that outlines homes that should be inspected more frequently based on risk.

The Ministry has a checklist that staff use for inspections. The checklist ensures staff assess whether the operation of the home complies with the *Personal Care Homes Act, 1991* and the related standards. Using the checklist, Ministry staff inspect a number of areas as set out in **Figure 3**.

**Figure 3—Summary of Areas Covered During Inspections of Personal Care Homes**

- Admission (e.g., Is there an admission agreement in place for each resident with details of care and accommodations included?)
- Resident needs assessments (e.g., Is the personal care home requesting resident assessments by the regional health authority every two years and when care needs change?)
- Resident care (e.g., Are residents being encouraged to be independent; do recreational activities reflect residents' interests?)
- Staffing component (e.g., Is the staffing level sufficient to meet resident's care needs? Do homes with 31 or more residents have a health care professional (e.g., nurse on staff?)
- Medications (e.g., Are medications securely stored; all expired or unused medication returned to the pharmacy?)
- Food preparation (e.g., Is food stored, prepared, cooked and served to prevent or minimize risk of illness? Are all food records kept for one year?)
- Resident records (e.g., Do all residents have records being maintained; have serious incidents been reported to the Ministry?)
- Rights and privileges of residents (e.g., Are residents' rights and privileges posted? Does communication with residents' supporters occur twice a year?)
- Occupancy requirements (e.g., Are all exits clear, safe and in working condition? Are toilets and bathrooms well ventilated and private?)
- Health and safety (e.g., Are carbon monoxide and fire detectors installed? Is there a first aid kit present?)
- Discharge of residents (e.g., Have discharge forms been completed for all residents that were discharged from the home?)

Source: Ministry of Health inspection tool.

Staff schedule routine inspections and do not usually make unannounced inspections. During the inspection, Ministry staff discuss the home's practices with the owner and the operator to analyze their knowledge of expected practices and explain findings at the conclusion of the inspection.

The Ministry's policies require personal care homes to be inspected regularly—within 24 months prior to April 1, 2012 and inspected or visited within 12 months after April 2012. Of those homes licensed prior to 2012, we found the Ministry inspected 48% of the personal care homes we sampled within 24 months and 15% had more than 30 months between inspections. Some personal care homes that the Ministry inspected still had the same problems that were found in the previous inspection. That is, the two most recent inspections identified the same concerns (e.g., water temperature too hot, medications not recorded properly, fire exit blocked). Between April 2012 and October 2012, the Ministry inspected almost 120 of the 245 personal care homes.

The Ministry does not specifically direct its staff to identify a personal care home that may require more frequent inspections to ensure the home complies with required standards. Without written direction, staff might not assess the risks consistently in determining whether more frequent or unannounced inspections are needed. Without more frequent inspections of homes at high risk, vulnerable residents may be left in unsafe situations for long periods. Some personal care homes repeatedly do not comply with some aspects of *The Personal Care Homes Act, 1991* and its regulations.

1. **We recommend that the Ministry of Health use a risk-based approach to inspect high-risk personal care homes more frequently.**

2. **We recommend that the Ministry of Health provide guidance for its staff to assist in determining when to conduct unannounced inspections of high-risk personal care homes.**

The Ministry thoroughly investigates complaints about licensed personal care homes. Most of the complaints received each year relate to food and lack of activities within the home. After documenting the details of the complaint, Ministry staff inspect the home (sometimes unannounced) and interview owner/operators, staff, and residents to gain their perspectives. Staff review resident records, observe how the home is operated, document findings, and report whether the complaint is supported by the evidence. The Ministry then decides if corrective action such as further training is required, or if the license should be conditional or revoked.

## 5.3 Require Timely Follow up if Care Homes Do Not Comply with Standards

If a Ministry inspection or investigation finds that a personal care home is not complying with standards, staff leave an "action sheet" that requires the operator to take action by a set date. We observed many action sheets that required the owner/operators to take over ten actions to improve safety and quality of care. The required actions ranged from improving documentation (e.g., note what vegetable was served at mealtime), to health issues (e.g., lack of hand soap, lack of activities), to urgent safety issues (e.g., inadequate medication storage, blocked fire escape, excessively hot water). The Ministry requires owner/operators to inform the Ministry when required actions have been taken but does not always follow up if the owner/operators do not respond. We noted a few situations where problems with safely administering and recording medications continued for several years.

The Ministry also identified medication errors as a continuing problem for many personal care homes. To address the problem, in 2012, the Ministry created a medication training module that owner/operators are required to take and pass. In the future, it will be available electronically, but in August 2012, personal care home operators submitted paper tests to be marked by Ministry staff. The training is taken until a passing grade of 95% is achieved.

The Ministry communicates to staff that residents should be protected from harm. However, it does not rank risks or communicate which types of non-compliance should be of greatest concern or which homes to inspect most often. Individual staff decide how often and when to make an unannounced inspection. We saw only one instance where an unannounced inspection took place after problems were identified. Without written guidance, staff may not treat risks consistently in all homes and some residents could be exposed to serious risks over long periods.

The Ministry uses informal discussions to guide staff when they follow up on problems where personal care homes do not comply with required actions and standards. Without written guidance, the same problems may be handled differently, even in similar situations. Similar problems should result in similar required actions with similar timeframes for follow up. For example, concerns about cleanliness or lack of nourishing food could require an unannounced inspection; a blocked fire exit could require a referral to the local fire department. Lack of written guidance could result in inconsistent follow-up of outstanding problems in personal care homes. This increases the risk of serious problems continuing, ultimately compromising the care and safety of personal care home residents.

3. **We recommend that the Ministry of Health provide written guidance to staff for consistent and prompt follow-up of personal care homes that do not comply with actions required after inspections.**

The Ministry has formal processes that require owner/operators to comply with the regulations and standards when it identifies severe problems after inspections or investigations. The Ministry requires its staff to escalate actions if a home's owner/operator does not respond to communication.

If an owner/operator does not respond by completing required actions, the Ministry sends a formal letter re-stating the required actions, due dates, and potential consequences (e.g., conditions added to license, license withdrawn). For example, if a home does not have adequate staff to provide care for residents with heavy care needs, the Ministry makes the license conditional on the home accepting only residents who have light care needs. If a very serious problem continues, and/or the safety of residents is at immediate risk, the Ministry revokes the license. Between April 2011 and August 2012, the Ministry revoked the license of one personal care home.

As noted above, we found instances where the most recent inspection identified the same or similar problem as identified in previous inspections. The Ministry does not have a central log or record of significant issues/problems for each personal care home. The Ministry's ability to escalate actions to enforce standards is less consistent and timely without a central record (e.g., on an electronic spreadsheet). Without easily accessible information, the Ministry must rely on its staff to remember or search extensive paper records to outline the history of a particular home. A centralized record would help the Ministry efficiently identify risks and take timely actions to enforce compliance with the regulations.

With a paper-based record system, it is challenging for staff to track all of the required actions in all 245 personal care homes. This is particularly true as the required actions range from minor issues to important actions to protect resident safety. The Ministry does not have a good system to help staff keep track of outstanding problems in each home. The Ministry does not yet have an electronic log of all actions required.

4. **We recommend that the Ministry of Health use a system to track personal care home inspection dates, non-compliance issues, required actions, and dates that personal care homes complete these actions.**

The family and supporters of residents rely on the Ministry to ensure that personal care homes are safe and provide adequate care for their loved ones. Owner/operators are required to inform the Ministry and the supporters about any serious incidents (such as a fall or medication error) involving a resident. If the Ministry finds a significant risk of harm to residents, it takes the necessary steps to inform family or supporters about the matter. For example, the Ministry may work with residents, supporters and regional health authorities to find new accommodations for residents if a personal care home is no longer able to provide adequate care. The Ministry reports to the Minister if a license is revoked or there is a serious issue of non-compliance.

Through its website, the Ministry informs the public whether personal care homes are licensed and if the license has any conditions imposed on it under *The Personal Care Homes Act, 1991*. This allows individuals to identify which homes are able to care for their loved ones (e.g., many homes may not admit residents at risk of wandering).

Management stated that the Ministry is considering publicly reporting on its website some results of its inspections, similar to reporting of public health inspections of eating establishments. This would help residents and their families better monitor the care personal care homes provide and help them to make informed decisions. This additional information also would inform the public about how well personal care homes comply with the standards and regulations. It could motivate prompt response from personal care homes and help to reduce the risk of improper care to these vulnerable residents. We noted that British Columbia, Ontario, and Alberta report the inspection results of seniors' care facilities on public websites.

5. **We recommend that the Ministry of Health publicly report inspection results when personal care homes do not comply with *The Personal Care Homes Act, 1991*.**

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# Chapter 35
# Saskatchewan Indian Gaming Authority Inc.— Information Technology Threat and Risk Assessment Processes

## 1.0 MAIN POINTS

The Saskatchewan Indian Gaming Authority Inc. (SIGA) has a significant investment in information technology (IT). SIGA is responsible for ensuring that its IT systems are secure. One aspect of IT security is assessing threats and risks to IT systems and responding appropriately to those threats and risks. We audited SIGA's IT threat and risk assessment processes and found that SIGA needs to:

- Fully document its IT threat and risk assessment plan
- Carry out its documented plan including analyzing the threats and risks, and developing a risk response
- Report the results of the assessment to management
- Review the effectiveness of the assessment process and conduct on-going monitoring

## 2.0 INTRODUCTION

SIGA operates Saskatchewan First Nation casinos and ancillary operations.[1] Slot machine profits from SIGA casinos are shared between the First Nations Trust Fund, community develop corporations,[2] and the Provincial Government.

SIGA operates in seven separate locations. In order to operate its casinos and ancillary operations, it has a significant investment in information technology. SIGA uses a variety of purchased and in-house developed software including software for enterprise resource planning, human resources and payroll, help desk system, point of sale, purchasing, scheduling and time card, and security. Although SIGA does not directly operate the slot machine system, it has some software systems related to gaming, including a table games system that tracks the table games revenue and a cash management system that tracks and manages the cash within the SIGA casinos.

We audited SIGA's IT threat and risk assessment processes. SIGA is responsible for ensuring that its IT systems are secure. One aspect of IT security is assessing threats and risks to IT systems and responding appropriately to those threats and risks.

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[1] Ancillary operations include food and beverage services, accommodations, gift shops, and live on-stage entertainment.

[2] Community development corporations are non-profit corporations established pursuant to the *2002 Framework Agreement* in communities where SIGA casinos are located. They are to provide grants for economic, social, and cultural development within those communities.

## 3.0 BACKGROUND

A well-defined and carried out IT threat and risk assessment process allows agencies to assess, identify, and modify the overall level of risk to which they are exposed (this is known as their "security posture"). The process includes determining the value of the various types of data generated and stored. This assists agencies in prioritizing and allocating technology resources.[3]

An IT threat and risk assessment should reduce the chance of IT system failure and inefficiencies through improved decision making so that risks may be managed effectively. An effective assessment should help ensure that appropriate levels of controls are implemented to protect information technology assets and related data.

Without adequate IT threat and risk assessment processes, an agency could be exposed to unnecessary risks. This could lead to a failure of the agency to achieve its set objectives, unnecessary expenses to fix a system failure, and/or loss of use of its critical IT systems. Alternatively, an agency may be applying unnecessary controls to mitigate risks that may not be critical to the agency achieving its objectives. This would be an inefficient use of the agency's resources.

We describe good processes for performing IT threat and risk assessments in Section 5.0.

SIGA places significant reliance on IT. If its IT systems fail, operations could be jeopardized and revenue could be lost or additional expenses could be incurred. For example, SIGA's security system relies on the use of IT systems. Inadequate controls over integrity and availability to its security system could result in the system not operating as intended. Without an adequate security system, SIGA could be subject to thefts and frauds, which would result in lower overall net revenue. This loss of revenue would mean there would be less funds available to Saskatchewan's First Nations, charitable and non-profit organizations, and to the General Revenue Fund of the Province.

Failure of IT operations could also result in SIGA not being able to manage and report the results of its operations to its stakeholders on a timely basis. For example, a loss in the use of SIGA's enterprise resource planning systems could result in management not having the appropriate reports to monitor and manage the operations of SIGA. Without the appropriate reports, SIGA may not be able to monitor the results of its table games including monitoring compliance with the approved hold.[4]

## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether SIGA had effective IT threat and risk assessment processes for the six-month period ended August 31, 2012.

Saskatchewan Liquor and Gaming Authority (SLGA) owns and manages the slot machine system that SIGA uses. SLGA has contracted with a third party to operate the slot machine system. Therefore, the slot machine system is not included in the scope of this audit.

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[3] Schmittling, p.18.

[4] The hold refers to the expected percentage of the cumulative amount that patrons bet on table games that will be retained by SIGA. The hold is approved by SLGA.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate SIGA's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. SIGA's management agreed with the criteria listed in **Figure 1**.

**Figure 1—Audit Criteria for Adequate IT Threat and Risk Assessment Processes**

To have effective IT threat and risk assessment processes SIGA should:

1. Develop a plan to assess IT threats and risks
2. Carry out its IT threat and risk assessment plan
3. Report to management the results of the assessment
4. Review the effectiveness of the process and plan for on going monitoring of risks

**We concluded that, for the six-month period ended August 31, 2012, SIGA's information technology threat and risk assessment processes were not effective. SIGA needs to:**

- **Fully document its IT threat and risk assessment plan**
- **Carry out its documented plan including analyzing the threats and risks, and developing a risk response**
- **Report the results of the assessment to management**
- **Review the effectiveness of the assessment process and conduct ongoing monitoring**

## 5.0 GOOD PROCESSES FOR IT THREAT AND RISK ASSESSMENTS

**Figure 2** describes good processes for IT threat and risk assessments applicable for any agency.

**Figure 2—Good Processes for IT Threat and Risk Assessments**

**1. Planning for IT Threat and Risk Assessment**

A good IT threat and risk assessment starts with senior management support. Agencies need senior management support and sufficient resources to plan for and carry out the assessment. This is in terms of both budget dollars and personnel. A well-defined risk management policy[5] would also be an indicator of senior management support of the assessment process. Management should assign someone the responsibility to ensure the assessment is carried out and clearly document the roles and responsibilities of that individual. The individual assigned should have sufficient knowledge and training to carry out the assessments. Agencies would have a documented IT threat and risk assessment plan that would specify:

- Timelines
- Participants
- Scope
- Planned steps

Management would review and approve the documented assessment plan.

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[5] A risk management policy would include specifying the requirement for a periodic risk assessment, a risk response plan, reporting to senior management, and on-going monitoring of risks.

**2. Carry Out the IT Threat and Risk Assessment**

There are several key steps in carrying out the IT threat and risk assessment. Agencies need to identify their IT assets and the value of those assets. Value takes into account the business impact of those IT assets. IT assets may include physical equipment, computer programs, personnel, and data. Agencies then need to identify the threats and risks that they face related to those IT assets. Each threat and risk needs to be analyzed as to its impact and the likelihood of the event occurring. For example, an agency may identify a risk that its systems may be unavailable in the event of a power outage at its data centre. If it assesses that a power outage would have a significant impact on its business and there is a high likelihood of it occurring, the agency would need to address this risk. The agency would develop a response to the risks. Possible responses to risks include avoiding the risk, reducing the risk by the addition of further controls, transferring the risk or accepting the risk.[6] The agency would base the response on a cost-benefit analysis to determine the best approach in dealing with each risk. For example, an agency may implement further controls such as installing a backup power supply such as a generator to address the risk of a power outage.

There should be input from key stakeholders across the agency in the assessment process. Without input from all key areas of an agency, the assessment may not adequately address all risks. This can lead to costly and ineffective security measures.[7] Agency-wide input that takes into account the needs of a variety of stakeholders provides for a more effective assessment.

**3. Reporting to Management the Results of the IT Threat and Risk Assessment**

Agencies should provide the completed IT threat and risk assessment to senior management. The report to management should document the significant risks identified and the response taken for each significant risk. The report should also include an estimate or assessment of the residual risk remaining after the agency carries out the initial risk response. Management should approve the residual risk to signify that the agency accepts the remaining risk and does not require the implementation of further controls or risk mitigation steps.

**4. On-going Monitoring and Review of the Effectiveness of the IT Threat and Risk Assessment**

Agencies should periodically monitor their risks to ensure that they have effectively addressed them. Agencies should determine the frequency of the on-going assessment, who would be responsible for on-going monitoring and who should be informed of the results of the monitoring. The on-going monitoring should determine if the assessment of the impact and likelihood of the risk is still appropriate, taking into account the changes to the agency and changes to the environment in which it operates. Also, where an agency implements mitigating controls, the agency should determine if the controls are operating effectively to mitigate the assessed risk as planned. Where there is residual risk that an agency has accepted, the agency should determine if the level of accepted risk is still appropriate for the agency.

Source: See selected references.

# 6.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and recommendations for each criterion.

## 6.1 IT Threat and Risk Assessment Planning

*We expected SIGA to:*

- *Obtain senior management support for the IT threat and risk assessment process including providing adequate budget dollars and personnel*
- *Assign responsibility for threat and risk assessment process*
- *Document its risk management policy*
- *Document in its plan the timelines, expected participants, scope and planned steps*
- *Have the documented plan reviewed and approved by management*

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[6] See "risk" in section 7.0.

[7] Bayne, p. 2.

SIGA's senior management supports the IT threat and risk assessment process and has provided funding for a number of consultants' assessments. In 2009, assessments occurred in the area of information security management and impact analysis of SIGA's disaster recovery plan. In 2012, consultants performed a network security assessment and a wireless security assessment. The review of SIGA's information security management was undertaken to develop an information security strategy. This assessment identified a number of IT risks that SIGA faces.

Responsibility for the IT threat and risk assessment process is assigned to a member of senior management. SIGA's IT security policies include a requirement to analyze threats and risks and develop mitigating controls. However, as described in Section 6.2 below, SIGA did not adequately follow those written policies.

Although SIGA had its consultants perform assessments, SIGA did not have a fully documented IT threat and risk assessment plan. SIGA did not set out in its plan the timelines, expected participants, scope and planned steps.

1. **We recommend that the Saskatchewan Indian Gaming Authority fully document and approve its plan for assessing the risks to its business from vulnerabilities to its information technology systems.**

## 6.2 Carry out IT Threat and Risk Assessment Plan

*To carry out its IT threat and risk assessment plan, we expected SIGA to:*

- *Identify IT assets and their value*
- *Identify threats and risks related to the identified assets*
- *Analyze the threats and risks to determine the impact and likelihood*
- *Develop a risk response*
- *Ensure the risk response takes into account an analysis of costs and benefits*

*The assessment should include input from key stakeholders across SIGA.*

SIGA identified its IT assets and their value and has undertaken several initiatives to assess its IT threats and risks. As mentioned above, SIGA contracted with third parties to conduct various reviews of its IT systems and processes. As part of those assessments, the third parties met with a variety of SIGA employees to obtain their perspective of the risks. Through those assessments, a number of risks were identified. For some of these risks, SIGA added further controls to reduce the risks. For example, SIGA is in the process of changing its computer systems so that it can recover from a disaster in a shorter time period.

Although SIGA developed responses to some of its risks, it did not do this for all of them. SIGA did not follow the requirements in its IT security policies as it did not have defined processes to:

- Document its analysis of risks including documenting impact and likelihood in order to determine the significance of each risk

- Document the planned response to address the risks including the costs and benefits of the responses

Without determining the impact and likelihood of the risks occurring and determining the planned response to those risks, SIGA does not know if it has addressed its significant risks.

2. **We recommend that the Saskatchewan Indian Gaming Authority follow its policies by documenting its analysis of the impact and likelihood for information technology risks and developing responses for significant risks.**

## 6.3 Report to Management the Results of the Assessment

*We expected SIGA to report to senior management the results of the IT threat and risk assessment including:*

- *Significant risks*

- *Responses taken*

- *Estimated residual risk*

*Management should approve the residual risk.*

SIGA provided management with a report on the results of its IT threat and risk assessments. That report identified the significant risks that could affect its IT systems. However, the report was inadequate because it did not include an analysis of the impact of the risks, the responses SIGA had taken, and the estimated residual risks. Without this information, SIGA's management would be unable to determine if it has developed sufficient responses to the identified risks.

3. **We recommend that the Saskatchewan Indian Gaming Authority report to senior management:**
    - **The impact of significant information technology risks**
    - **Responses taken for those risks**
    - **The estimated residual risk**

## 6.4 Review the Effectiveness of the Assessment Process and Conduct On-going Monitoring

*We expected SIGA to review the effectiveness of its IT threat and risk assessment process and, on an on-going basis, assess:*

- *The impact and likelihood of assessed risks based on changes affecting SIGA*
- *The impact of the mitigating controls to ensure they are still operating effectively*
- *The residual risk to ensure it is still appropriate for SIGA*

*Management should assign responsibility for on-going monitoring and specify the frequency.*

SIGA has not reviewed the effectiveness of its IT threat and risk assessment process. SIGA has not set out how it plans to carry out on-going monitoring of its IT risks. Without on-going monitoring, SIGA is unable to determine if its risk assessment and risk response is still appropriate. For example, when SIGA implemented its enterprise resource planning application, it increased its reliance on its IT systems. SIGA needed to reassess its disaster recovery plan so that it could know that the new application could be recovered in an appropriate time frame in the event of a disaster.

**4. We recommend that the Saskatchewan Indian Gaming Authority assess the effectiveness of its information technology risk assessment processes and monitor its significant risks on an on-going basis.**

## 7.0 GLOSSARY

**Risk** – the chance of a vulnerability being exploited.[8]

There can be several responses to identified risks, including:

- Risk avoidance (e.g., an agency may avoid risks by relocating its data centre away from a region with significant natural hazards)
- Reducing the risk by the addition of further controls (e.g., an agency may reduce the risk of loss of confidential data through the encryption of all data stored on its computers)
- Transferring the risk (e.g., an agency may transfer a portion of the risk of loss of confidential credit card data through contracting with a reputable third party that specializes in on-line credit card transactions)
- Accepting the risk (e.g., an agency may determine that the costs to implement further controls to protect its computer rooms from destruction through fire outweighs the expected benefit from adding further fire protection equipment)[9]

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[8] Communications Security Establishment, p. 281.

[9] Information Systems Audit and Control Foundation, p. 28.

**Residual risk** – the risk that remains after safeguards [controls] have been selected and implemented.

**Threat** – any potential event or act, deliberate or accidental, that could cause injury to employees or assets, and thereby affecting service delivery adversely.[10]

**Vulnerability** – an inadequacy related to security that could permit a threat to cause injury.[11]

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[10] Communications Security Establishment, p. 281.
[11] Ibid., p. 282.

# Chapter 36
# Transporting Students Safely

## 1.0 MAIN POINTS

The Ministry of Education (Ministry) is responsible for leadership and oversight in the education sector. *The Education Act, 1995* gives responsibility to school divisions to administer student transportation and expects school boards to supervise student transportation. We audited the safety of student transportation processes in six school divisions and the related processes at the Ministry of Education for the period September 1, 2011 to August 31, 2012.

In this chapter, we describe the key findings of our audit of student transportation and make 14 recommendations to the Ministry and to school divisions.

Our audit concluded that student transportation requires Ministry coordination and oversight. Ministry oversight would help school divisions to comply with all the relevant legislation and consistently use strategies that would help keep students safe while they are transported. For example, the Ministry should require school divisions to use key strategies related to the condition of vehicles, the performance of drivers, the behaviour of students on the bus, and collision risks.

Our audit also concluded that, in general, school divisions had effective processes to transport students safely except in three areas. First, school divisions should consistently align their practices with legislation. Second, school divisions should manage transportation risks more consistently. For example, school divisions took different approaches to transporting students who lived near their school, transporting pre-schoolers, driver training, driver performance appraisal, and the use of 15-passenger vans. Third, school divisions that contract with private companies to provide some or all of their transportation services should require their contractors to report on how they comply with laws and the strategies they use to keep students safe while they are being transported to and from school.

These findings may help other school divisions in the province when assessing their own student transportation processes. As well, we outline some of the best practices we observed in school divisions in **Exhibit 1**.

## 2.0 INTRODUCTION

The Ministry of Education (Ministry) is responsible for all matters relating to early learning, elementary, and secondary education. It is expected to provide leadership and coordination in all areas. School divisions are responsible for administering schools and for managing student transportation. The Ministry provides grants to school divisions of about $110 million annually to transport students.[1,2] In this way, the Ministry has a vested interest to ensure that the funds it provides are used effectively.

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[1] Ministry of Education Annual Report 2011-12, p. 6.
[2] Estimate based on school divisions' audited financial statements for the year ending August 31, 2011.

In this audit, board of education/school board (School Board) refers to all boards governing school divisions, including the conseil scolaire that governs all French language schools. School division refers to organizations that are accountable to administer and manage schools whether the schools are public, separate, or French language schools.

Saskatchewan's 28 school divisions administer and manage over 700 schools. Over 74,000 children[3] (38% of students) ride school buses each day. About 1,300 of them are four- to five-year old children in pre-kindergarten programs.[4] Some school divisions transport as many as 4,500 students every day. About 3,400 school buses and 50 school vans transport students.[5]

Transporting students supports regular and timely attendance at school. We audited processes to safely transport students to school or special events arranged by schools.

## 3.0 BACKGROUND - RISKS IN TRANSPORTING STUDENTS

Effective transportation helps students to start their day ready to learn. Transporting students safely is a complex process influenced by four key factors or risk areas:

- Vehicle condition (maintenance, age, nature of vehicle such as bus or van)
- Bus driver competence (knowledge of laws, skill, rapport with students)
- Student behaviour while bus is moving (stay seated, avoid distracting the driver)
- Collision risks (bus route, road conditions, weather)

On average, 84 collisions involving school buses occurred each year over the last decade. For example, in 2010, standard-size school buses had 71 collisions, including vehicle pedestrian collisions, resulting in 15 injuries and one fatality (23 injuries and three fatalities in 2009). None of the fatalities were students. School vans had 13 collisions resulting in one injury.[6] Over 70% of these collisions occurred on urban streets and were most often caused by road conditions and driver distraction or inattention.

School divisions varied in the risks they faced and how they addressed them. Some school divisions own a bus fleet, others contract with private companies, and some use both approaches to meet their transportation needs. Some school divisions had policies about bus driver performance and some did not. Some transported preschoolers and others did not. Transporting students is complex.

## 4.0 LEGISLATION RELATED TO STUDENT TRANSPORTATION

*The Education Act, 1995* (Act) makes the Ministry responsible for overseeing school divisions, by working through the elected School Boards and appointed directors of education. The Act requires the Ministry to review and approve school divisions' objectives, programs, and estimated expenses (Act sections 3(1), 4(1)(h-1), 278). The Ministry is responsible for monitoring the objectives and costs for transporting students.

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[3] Saskatchewan Government Insurance safety statistics 2009. http://www.sgi.sk.ca/individuals/safety/safetystats.html
[4] Ministry of Education. 2011-12 School Bus Survey.
[5] Ibid.
[6] Saskatchewan Government Insurance. 2010 Saskatchewan Traffic Safety Accident Facts. p. 43. http://www.sgi.sk.ca/pdf/tais/TAIS_2010_Annual_Report.pdf

School Boards are responsible for administering and managing schools including student transportation (Act sections 85-86). School Boards assign responsibility to handle transportation and related risks to their administrators. However, School Boards remain accountable to supervise student transportation and monitor that school divisions comply with relevant laws (Act sections 134(2)(f) and 134.2(6)(f)).

The primary legislation governing student transportation includes the following:

- *The Education Act, 1995* requires school divisions to:
  - implement policies governing school transportation including the use, operation and maintenance of vehicles, supervision of those who operate the vehicles, and the conduct of students (section 196(b))
  - comply with all legislation pertaining to vehicle inspection, maintenance, and the licensing of operators (sections 196(b and c) and 356)
  - provide any reports the Minister requires with respect to school transportation (section 197) and keep records of transportation costs, distance covered, etc. (section 370(1)(u))

- *The Traffic Safety Act* requires school divisions to:
  - comply with requirements for national safety code certificates governing vehicle safety (sections 96 – 101)
  - maintain vehicles in a safe condition at all times, subject to inspection (section 250(2))

- *The School Bus Operating Regulations, 1987* (under *The Traffic Safety Act*) directs drivers on the safe operation of a school bus including:
  - refraining from consuming alcohol eight hours prior to driving a bus
  - not leaving a bus that contains passengers
  - when to activate safety lights and how to approach a railroad crossing

## 5.0 AUDIT OBJECTIVE, SCOPE, AND CRITERIA

The objective of this audit was to assess whether school divisions had effective processes to safely transport students during September 1, 2011 to August 31, 2012. We also assessed the Ministry's related processes, where applicable. We focused on the school-arranged transportation of students to and from school and special events. Special events are defined as activities where the school arranges to transport students to an event as part of school activities (e.g., to another school for a unique class or learning opportunity).

We conducted this audit in six very different school divisions. **Exhibits 2** and **3** outline the location, transportation approaches, and key characteristics of these school divisions.

The six school divisions were:

- Chinook School Division No. 211 (Chinook)
- Good Spirit School Division No. 204 (Good Spirit)
- Northwest School Division No. 203 (Northwest)
- Prairie Valley School Division No. 208 (Prairie Valley)
- Prince Albert Roman Catholic Separate School Division No. 6 (Prince Albert)
- St. Paul's Roman Catholic Separate School Division No. 20 (St. Paul's)

We studied policies and procedures that influence safe student transportation and examined reports about how each school division transported students during our audit period. We observed practices in maintenance shops, examined vehicles, assessed drivers' files, and considered how documented complaints were resolved. In school divisions that contracted with private companies to provide student transportation, we examined how the school divisions monitored the contractors' performance. We also examined Ministry policies and relevant communications with school divisions.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the processes used by the Ministry and school divisions to transport students safely, we used criteria based on the work of other auditors, related legislation, and regulations. The primary sources for the criteria in **Figure 1** are set out in Section 10.0. Ministry of Education management agreed with these criteria.

**Figure 1—Audit Criteria for Transporting Students Safely**

Effective processes to transport students safely include:

1. **Communicate requirements to transport students safely**
   - 1.1. Establish requirements for transporting students
   - 1.2. Set delivery approach (e.g., contracting or directly managing vehicles)
   - 1.3. Align requirements with legislation and regulations
   - 1.4. Communicate all requirements for transporting students
2. **Manage risks to student safety during transportation**
   - 2.1. Identify risks to student safety during routine and special events transportation
   - 2.2. Determine key risks to be reduced
   - 2.3. Implement cost effective strategies to reduce key risks
3. **Monitor performance of student transportation**
   - 3.1. Set measureable performance targets
   - 3.2. Analyze performance trends (e.g., time on bus, safety targets, costs)
   - 3.3. Assess compliance with specific requirements
   - 3.4. Report performance (e.g., timely to School Board, annual to public)
4. **Take action for transporting students safely**
   - 4.1. Investigate risks and complaints
   - 4.2. Resolve transportation issues promptly
   - 4.3. Inform School Board about unresolved safety issues

The Ministry and school divisions experienced major changes during the last decade. In 2006, 81 school divisions amalgamated into the present 28 school divisions. In 2009, the Government amended *The Education Act, 1995* and other legislation.

The legislation governing transportation also changed. The Government proclaimed *The Traffic Safety Act* in 2006, thus repealing *The Vehicle Services Act, 1986.* As explained later, when school divisions contracted with private companies for bus services in 2011-2012, the contracts did not reflect these legislative changes.

## 6.0 AUDIT CONCLUSIONS

We found significant variation among the six school divisions where we conducted our audit. We observed best practices in several school divisions and set them out in **Exhibit 1**. However, neither school divisions nor the Ministry had a comprehensive understanding of the legislated requirements governing student transportation.

Overall, we found school divisions accept responsibility to keep students safe during transportation. In several situations, greater Ministry coordination would help to clarify the range of policies and approaches that are reasonable and affordable in Saskatchewan.

**We concluded that, during September 1, 2011 to August 31, 2012, the Ministry of Education did not effectively oversee school divisions' processes to safely transport students as it did not ensure school divisions complied with legislated requirements and it did not provide school divisions with guidance for managing key risks for safe student transportation.**

**We concluded that, in general, during September 1, 2011 to August 31, 2012, the school divisions we audited had effective processes to safely transport students except for their processes to:**

- **Align transportation policies and practices with legislated requirements**
- **Manage transportation safety risks related to driver performance (e.g., defensive driver training)**
- **Monitor the performance of contracted transportation services**

## 7.0 KEY FINDINGS AND RECOMMENDATIONS

In this Section, we describe our key findings and recommendations related to the audit criteria in **Figure 1**. These findings may help other school divisions in the province when self-assessing their own student transportation processes. We also audited Ministry policies and relevant communications with school divisions.

In Section 8.0, we also provide recommendations that are specific to the individual school divisions that we audited.

## 7.1 Ministry Needs to Highlight Requirements for Safe Student Transportation

Requirements for safely transporting students are set out in legislation as outlined in Section 3.0. The Ministry expects school divisions to align their transportation processes with requirements in legislation regardless of whether the school divisions operate their own fleet or contract with others. The Ministry does not communicate the legislated transportation requirements to school divisions, and does not monitor whether school divisions comply with legislation related to transporting students.

*The Education Act, 1995* (section 196(b)) directs school divisions to implement policies governing school transportation in three areas: the operation and maintenance of vehicles, the supervision of drivers, and the conduct of students. One school division had policies in all three areas. Most school divisions had policies about vehicle safety and maintenance and student conduct. However, four school divisions did not have policies about driver supervision or performance appraisal. All school divisions had policies related to bus service cancellation (due to road conditions or lack of a qualified driver).

*The Education Act, 1995* (section 356) requires school divisions to comply with relevant legislation. *The School Bus Operating Regulations, 1987* (Regulations) set out specific actions drivers must take to operate a school bus safely. A few school divisions did not annually communicate the appropriate Regulations to bus drivers (e.g., with driver handbook). Providing the Regulations to bus drivers at the beginning of each year would reinforce to bus drivers the actions required to operate the bus safely.

1. **We recommend that the Ministry of Education provide school boards with a summary of current legislation related to transporting students and request that each School Board review reports showing that its school division complies with legislated transportation requirements.**

## 7.2 School Divisions Not Managing All Transportation Risks

To transport students safely, we expected school divisions to identify and reduce risks in four areas—vehicle condition, driver competence, student behavior, and collisions. One school division had a formal process to identify and address all of these risks.

Other school divisions were taking varying actions to reduce these risks as set out in **Figure 2**. However, most school divisions did not have complete strategies to address risks for safely transporting students. School divisions that contracted all their transportation services did not monitor if contractors safely transported students (e.g., maintain buses, train drivers). Most school divisions did not ensure students had a visible reminder of how to behave while on the bus. As explained in Section 6.2.1, most school divisions did not adequately address risks related to drivers' performance.

**Figure 2—Strategies to Address Risks to Safe Student Transportation**

| Risk Reduction Strategies | Prairie Valley | Good Spirit | Chinook | Chinook | North west | Northwest | Prince Albert | St. Paul's |
|---|---|---|---|---|---|---|---|---|
| | Fleet | Fleet | Fleet | Contract * Monitoring | Fleet | Contract * Monitoring | Contract * Monitoring | Contract * Monitoring |
| **Vehicles** | | | | | | | | |
| Annual Inspection | Y | Y | Y | Y | Y | Y | N | N |
| Specific Routine Maintenance | Y | Y | Y | N | Y | Y | N | N |
| **Drivers** | | | | | | | | |
| Driver Appraisal Process | Y | N | N | N | Y | Y | N | N |
| Defensive Driving Course | Y | N | Y | N | N | N | N | N |
| **Students** | | | | | | | | |
| Rule of Conduct Visible in Bus | Y | Y | N | N | N<br>Note 1 | N<br>Note 1 | N | N |
| Student Behavior Guidelines | Y | Y | Y | Y | Y | Y | Y | Y |
| **Collisions** | | | | | | | | |
| Bus Evacuation Drills Documented | N | N | Y | Y | Y | Y | N | N |
| Bus Cancellation Policy | Y | Y | Y | Y | Y | Y | Y | Y |

Source – Based on summer 2012 audit findings and confirmed with senior management in each school division.
Note 1 – Posting of rules of conduct is left to the discretion of the bus driver
Y – means school divisions use the risk reduction strategy listed to address risks
N – means school divisions do not have strategies to address this risk
* – For contracted bus services, N means the school division does not require reports on how contractors manage the identified risk.

## 7.2.1 Driver Performance Risks Not Well Addressed

The legislation governing school buses and their operation requires some driver risks to be addressed. For example, regulations require that drivers not drink alcohol within eight hours prior to driving a school bus and must notify the school divisions of any driving offenses. Some school divisions regularly evaluate if bus drivers' licenses are valid or restricted by driving offenses or collisions.

A skilled bus driver might be the most cost-effective strategy available to school divisions for safe transportation. Defensive driver training could also assist school divisions to recruit bus drivers who might be more confident with this training.

School divisions offer ad hoc training to bus drivers periodically which may include defensive driving. However, only one school division routinely provides defensive driver training to all drivers and observes driver competence during a formal ride-along program. This program gives the school division an opportunity to answer each driver's questions and to observe their driving performance. In general, school divisions did not sufficiently reduce driver-related risks to student safety. School divisions need to monitor bus driver performance diligently.

Bus drivers are required to check their bus for observable safety hazards daily (e.g., turn signals working). In addition, bus drivers are required to manage student behaviours and teach students how to conduct themselves on a school bus. For example, if a bus has a collision or slides off a road, promptly evacuating the bus in an orderly way can reduce injuries. Most school divisions required drivers to have students practice evacuating the bus. Few school divisions required the bus driver to document when the drill occurred and describe the level of success. Written reports about challenges during evacuation drills could help school divisions assess risks and determine if further action is required.

In Section 8.0, we make recommendations to specific school divisions regarding driver risks.

### 7.2.2 Transportation Policies Inconsistent

As explained in Section 4.0, the Ministry is responsible for overseeing school divisions. School divisions are responsible for student transportation (*The Education Act, 1995,* sections 85-86). Each school division independently decides which risks to accept and which to reduce. As a result, students might be transported more safely in some school divisions than in others.

One risk that is handled differently across school divisions is the use of 15-passenger vans to transport students to special events or classes available only in specific locations (e.g., band, mechanics, science laboratory). The design of some 15-passenger vans could present a risk to student safety (e.g., roll-over risk associated with a high centre of gravity and/or excess weight at the back). School division decisions about the safety of 15-passenger vans are not consistent. As of August 2012, some school divisions do not use 15-passenger vans at all, some require specific driver training, and others provide only a brief orientation to van drivers. The Ministry approves budgets to purchase vehicles but has not assessed the risks associated with 15-passenger vans.

School divisions increasingly offer educational opportunities for pre-schoolers. Another risk that school divisions address differently is the transportation of very young children. Some school divisions transport pre-schoolers on school buses while others use vans, taxis, or reimburse parents for driving their young children to school. School buses are designed for older, larger children. If children have not reached a specific height and weight, school buses are unsafe unless the child is in a properly secured child safety seat. In 2012, the Ministry was in the process of assessing the risks associated with transporting pre-school children.

School divisions do not document the cost of alternative strategies when they select how to reduce risks to safe student transportation. School divisions did not know if other strategies might have been more cost-effective than the ones they selected.

The Ministry needs to know whether students are consistently transported safely and that school divisions use cost-effective strategies to reduce transportation risks. The Ministry uses a bus survey to collect certain information from school divisions to help allocate transportation funding. Some of this information could be analyzed for safety risks (e.g., age of bus fleet). In general, the Ministry does not request sufficient information from school divisions for it to assess if costs to manage transportation safety risks are reasonable and the strategies effective. For example, the Ministry does not request information about training provided to bus drivers.

2. **We recommend that the Ministry of Education work with school divisions to identify key risks to safe student transportation and cost-effective options for managing those risks.**

3. **We recommend that the Ministry of Education require school divisions to report to their school boards the strategies they use to reduce risks related to vehicle condition, driver competence, student behavior, and collisions.**

In special circumstances some students may require busing regardless of their distance from the school (e.g., students with disabilities, pickup in high traffic or high risk areas). The Ministry does not provide guidance about the distance students should walk before being transported to school. There is no provincial guidance about transportation in special circumstances or for children up to a specific age.

Each School Board makes policy decisions for its school division regarding the minimum distance requirements for transporting students. This results in inconsistent policies among school divisions. For example, in one city, the minimum busing distance is 0.8 kilometers for one school division and 0.6 kilometers in another school division serving the same area. Using different busing policies creates competition for enrollment among school divisions. Without Ministry guidance regarding the minimum distance for students to be transported to school, some school divisions' transportation of students might not be cost-effective. Some money intended for education might be used for transportation. If school divisions have special transportation needs, *The Education Act, 1995*, section 278 requires school divisions to inform the Ministry about them as part of their request for transportation funding.

4. **We recommend that the Ministry of Education establish and provide guidance to school divisions about the distance for students to be transported to school including requesting school boards approve any exceptions to their school divisions' policies.**

## 7.3 School Divisions Inconsistently Monitor Student Transportation

None of the school divisions that we audited had a policy directing what transportation information should be reported to the School Board. As a result, School Boards might not receive timely, sufficient, and relevant information. Information about transportation is essential to help School Boards assess whether the school divisions' transportation practices are safe.

Most school divisions gave their School Board a transportation report once each year. Sometimes these reports explained some ongoing risks as well as measures of performance associated with transporting students (e.g., average age of the bus fleet, driver education, and kilometers driven for both vans and buses).

Without School Board policies, only a few School Boards received detailed, comprehensive reports, while others received very little beyond the basic information about the fleet. When school divisions contracted for all their transportation services, their School Boards received no written reports about transportation safety. Without this information, School Boards cannot carry out their legislated duties to supervise student transportation.

5. **We recommend that the Ministry of Education work with school divisions to identify relevant student transportation performance information that should be reported to school boards quarterly and annually to help them supervise student transportation.**

### 7.3.1 Contracted Services Not Monitored

Different risks arise when school divisions choose to contract with others to provide transportation services. School divisions are responsible to determine the best approach to transport students to schools in their area. Some school divisions contract for all or part of their transportation services. Others choose to manage their own fleet. School divisions that contracted transportation services all had written, signed contracts. However, the contracts did not set out specific transportation safety expectations or reporting requirements and did not correctly identify the legislation relevant to the transportation of students. All of the contracts allowed school divisions to request reports from the contractor but only half of the school divisions we audited requested any specific reports. These contracts expected the contractors to provide the school divisions with bus routes, schedules, and to list the current fleet of vehicles (including year, make, and mileage).

When any service is contracted, it is important to monitor that the service is performed as expected. This requires clear expectations and regular monitoring. The contracts for school transportation services that we examined did not:

- Describe how the school division expected the contractor to address key risks related to vehicle condition (e.g., age of fleet, nature and frequency of maintenance), drivers (e.g., license status, training, supervision), and collisions (e.g., timely bus evacuation drills)
- Specifically require contractors to comply with *The School Bus Operating Regulations, 1987* and *The Traffic Safety Act*
- Require contractors to report their compliance with key safety requirements

Without this information, the school divisions cannot determine if their students are being transported safely. Also, without complete information regarding how the contractor complies with legislated requirements, School Boards cannot carry out their legislated duty to supervise transportation services.

6. **We recommend that the Ministry of Education require school divisions that contract transportation services to obtain written reports from contractors outlining how the contractor complies with legislated requirements for safe student transportation.**

## 7.4 School Divisions Take Action to Improve Safety but Do Not Document Risks Resolved or Remaining

Complaints from parents, drivers, or the public help school divisions to monitor the safe transportation of students. All of the school divisions investigated complaints. Two school divisions had formal processes to track complaints—documented, standard format, dated, signed. The processes in the other school divisions were informal, and complaints were not documented.

Documenting complaints using a standard format to collect details improves completeness and accuracy and allows school divisions to demonstrate that they responded promptly to concerns. It also helps to document and monitor trends over time (e.g., common complaints). If complaints are not documented, the school division may be at risk of failing to investigate complaints, and could be accused of a lack of attention to student safety.

7. **We recommend that the Ministry of Education provide guidance to school divisions for consistent, written, and timely processes to track and resolve complaints about safe student transportation.**

Only a few school divisions regularly explained to their School Board the risks they still face regarding student transportation. Management seldom outlined whether it had concerns about the safety of some buses or bus routes, or the ability of the school division to keep pace with the transportation needs of a growing community.

8. **We recommend that the Ministry of Education require school divisions to provide school boards and the Ministry with written reports about outstanding risks and unresolved complaints.**

# 8.0 RECOMMENDATIONS FOR SPECIFIC SCHOOL DIVISIONS

The findings in Section 7.0 provide the basis for the following recommendations for the school divisions we audited. Some school divisions own a bus fleet, others contract with private companies, and some use both approaches to meet their transportation needs.

9. **We recommend that Prairie Valley School Division No. 208 document student participation in timely bus evacuation drills and driver identified evacuation risks.**

10. **We recommend that Northwest School Division No. 203:**
    - **Reference all relevant legislation within its busing contracts to align its transportation requirements with legislation and regulations**
    - **Provide school bus drivers annually with legislated requirements to transport students safely**

11. **We recommend that Chinook School Division No. 211:**
    - **Reference all relevant legislation within its busing contracts to align its transportation requirements with legislation and regulations**
    - **Define what is expected of contractors that provide student transportation services, including required reports**
    - **Implement a driver appraisal process**
    - **Document complaints about student transportation and how the complaints were resolved**

12. **We recommend that Good Spirit School Division No. 204:**
    - **Provide school bus drivers annually with legislated requirements to transport students safely**
    - **Implement a driver appraisal process**
    - **Document student participation in timely bus evacuation drills and driver identified evacuation risks**
    - **Document complaints about student transportation and how the complaints were resolved**

The following recommendations are for school divisions we audited that contract all transportation services to a private company. These school divisions do not effectively monitor the safety practices of their contractors.

**13. We recommend that Prince Albert Roman Catholic Separate School Division No. 6:**

- **Reference all relevant legislation within its busing contracts to align its transportation requirements with legislation and regulations**
- **Define expectations and reporting requirements with contractors**
- **Implement processes to monitor its contractor's driver appraisal process**
- **Implement processes to monitor its contractor's vehicle maintenance processes**
- **Implement processes to monitor its contractor's bus evacuation processes**
- **Periodically report to its board regarding the performance of student transportation**
- **Document complaints about student transportation and how the complaints were resolved**

**14. We recommend that St. Paul's School Roman Catholic Separate Division No. 20:**

- **Reference all relevant legislation within its busing contracts to align its transportation requirements with legislation and regulations**
- **Define expectations and reporting requirements with contractors**
- **Implement processes to monitor its contractor's driver appraisal process**
- **Implement processes to monitor its contractor's vehicle maintenance processes**
- **Implement processes to monitor its contractor's bus evacuation processes**
- **Periodically report to its board regarding the performance of student transportation**
- **Document complaints about student transportation and how the complaints were resolved**

# 9.0 EXHIBITS

## Exhibit 1—Best Practice Observed by Key Risk in 2012

| Key Risk | Best Practices Observed |
|---|---|
| Driver Competence | › Require driver training for operation of 15-passenger vans.<br>› During annual driver meetings, provide defensive driving and first aid training and discuss safety including legislated safety requirements.<br>› Review driver abstracts annually and summarize findings and actions taken.<br>› Monitor status of drivers' licenses monthly using Saskatchewan Government Insurance intranet.<br>› Periodically evaluate the safety of drivers and routes (e.g., ride along program).<br>› Make complaint forms available to the public. |
| Student Behavior | › Safety awareness newsletter or brochure to parents early in the school year.<br>› Use a bus safety awareness program/video for elementary students.<br>› Post student conduct rules visibly on all school buses. |
| Vehicle Maintenance / Condition | › Require school bus maintenance every 5,000 to 6,000 km and monitor its timely completion.<br>› Use standard inspection checklists when maintaining buses (e.g., check brakes, windshield wipers, fluid levels, turn signals).<br>› Monitor expiry dates for required annual SGI school bus inspections.<br>› Employ certified journeyman technicians in the bus garage. |
| Collisions | › Require drivers to have cell phones in event of trouble with vehicle or road.<br>› Use standardized forms to document all collisions involving buses, regardless of how minor the collision.<br>› Develop bus cancellation criteria for use during severe weather, including methods of communicating cancellations to the public (e.g., local radio stations, automated callback system).<br>› Require drivers to conduct and document evacuation drills with students at least twice per year. |

Source: Provincial Auditor Saskatchewan. Summer 2012.

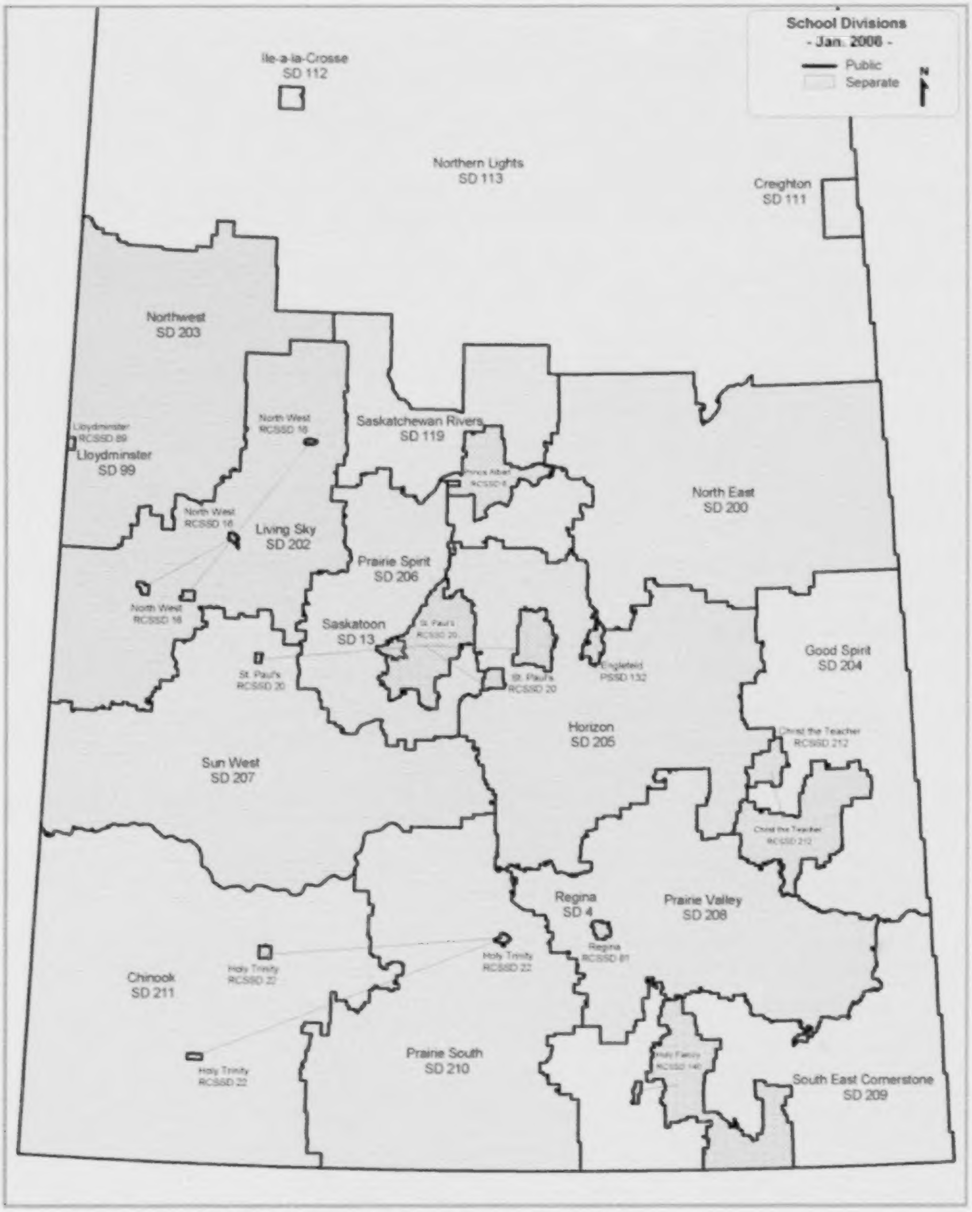
We observed the above best practices in transporting students safely during our audit of six school divisions in 2012. Other school divisions could also have important practices to share.

## Exhibit 2—Key Characteristics of Audited School Divisions in 2012

| School Division | Chinook | Good Spirit | Northwest | Prairie Valley | Prince Albert | St Paul's |
|---|---|---|---|---|---|---|
| Location | SW | SE | NW | Central SE | Central N | Central |
| Total Enrolment | 6,000 | 6,000 | 5,000 | 8,000 | 3,000 | 15,000 |
| Transportation Expense as % of Total Expense | 11% | 9% | 10% | 9% | 6% | 3% |
| Own Fleet /Contracted | Contract and Own Fleet | Own Fleet | Contract and Own Fleet | Own Fleet | Contract | Contract |

Source: The Ministry of Education and school divisions' 2010-11 records.

**Exhibit 3—Saskatchewan School Division Boundaries**


School Divisions
- Jan. 2006 -
Public
Separate
N
Ile-a-la-Crosse SD 112
Northern Lights SD 113
Creighton SD 111
Northwest SD 203
North West RCSSD 16
Saskatchewan Rivers SD 119
Prince Albert RCSSD 6
Lloydminster RCSSD 89
Lloydminster SD 99
North East SD 200
North West RCSSD 16
Living Sky SD 202
Prairie Spirit SD 206
North West RCSSD 16
Saskatoon SD 13
St. Paul's RCSSD 20
St. Paul's RCSSD 20
St. Paul's RCSSD 20
Englefeld PSSD 132
Good Spirit SD 204
Horizon SD 205
Christ the Teacher RCSSD 212
Sun West SD 207
Christ the Teacher RCSSD 212
Regina SD 4
Prairie Valley SD 208
Regina RCSSD 81
Holy Trinity RCSSD 22
Holy Trinity RCSSD 22
Chinook SD 211
Holy Trinity RCSSD 22
Prairie South SD 210
Holy Family RCSSD 140
South East Cornerstone SD 209

Source: Saskatchewan School Boards Association (School Divisions Map).
http://www.saskschoolboards.ca/index.php?id=school-divisions-divisions-map

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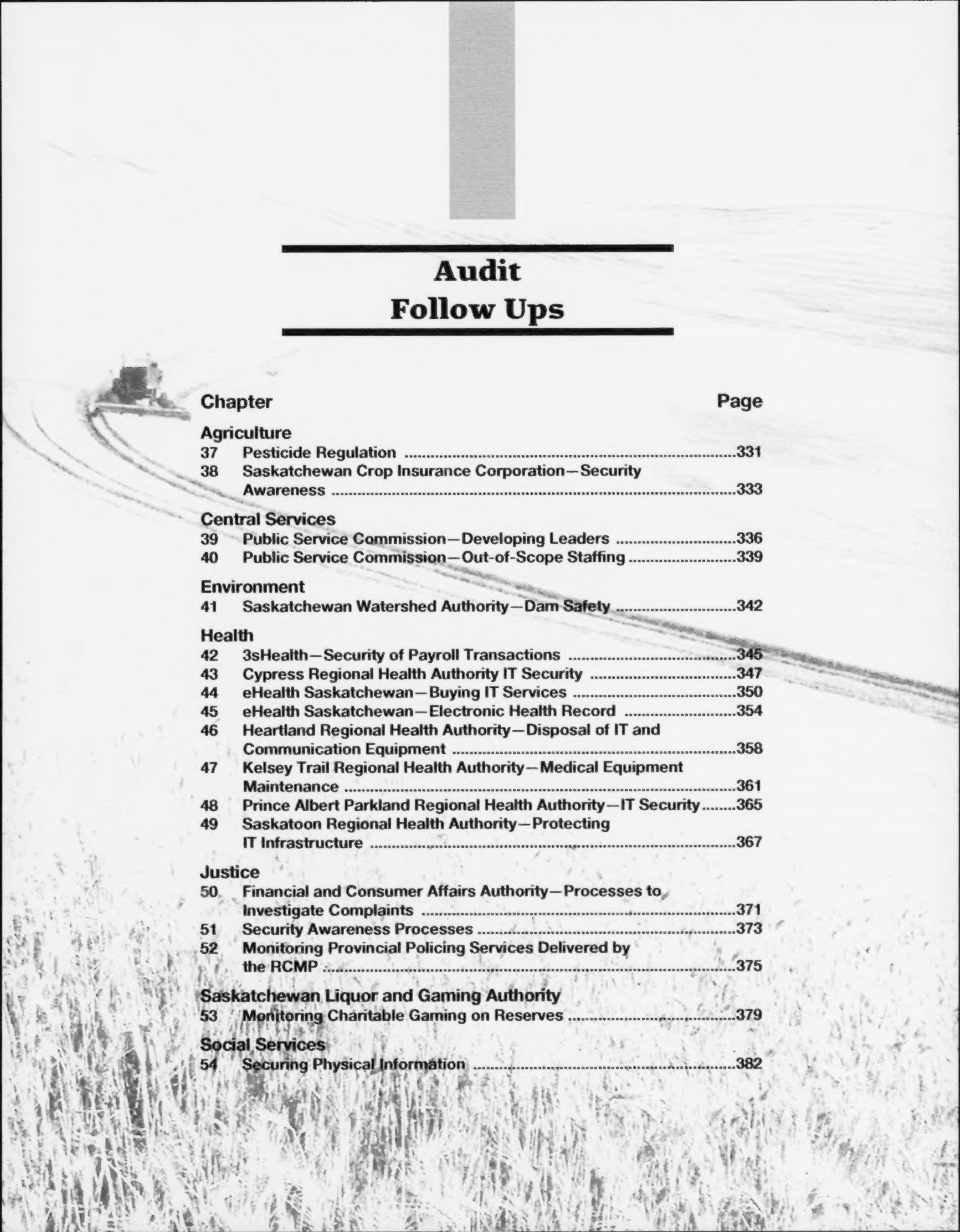

# Audit Follow Ups

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# Chapter 37
# Pesticide Regulation Follow Up

## 1.0 MAIN POINTS

This chapter is a follow-up of the recommendations from our 2007 Report – Volume 1, Chapter 3. The Ministry of Agriculture (Ministry) has implemented our recommendations regarding its processes to regulate pesticides. As of September 2012, the Ministry has formally analyzed the risks associated with licensees and exempt persons not following pesticide control laws, and has documented its strategy to address these risks.

## 2.0 INTRODUCTION

The Ministry is responsible for regulating the sale, use, storage, transportation, and disposal of registered pesticides in both agricultural and non-agricultural settings.

In 2007, we assessed the Ministry's processes to regulate pesticides. Our 2007 Report – Volume 1, Chapter 3 concluded that the Ministry had adequate pesticide regulation processes except it had not done an overall risk analysis to guide its activities. As a result, its monitoring and enforcement activities may not have focused on areas with higher risks. We made two recommendations relating to the need for a formal risk analysis and documented strategies to address identified risks.

In our 2008 Report – Volume 3, Chapter 3, and our 2010 Report – Volume 1, Chapter 3, we reported that although the Ministry had made progress towards addressing these recommendations, it had not yet fully implemented them.

## 3.0 STATUS OF RECOMMENDATIONS

We determined the status of the following recommendations based on actions taken by the Ministry up to September 28, 2012. We found that the Ministry has implemented each of our recommendations.

### 3.1 Non-Compliance Risks Identified and Analyzed and Strategies Documented

We recommended that the Ministry of Agriculture formally analyze the risks that licensees and exempt persons are not following pesticide control laws. (2007 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

**Status** – Implemented.

**We recommended that the Ministry of Agriculture document its strategy to address identified risks associated with monitoring and enforcing compliance with pesticide control laws.** (2007 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

**Status** – Implemented.

To help the Ministry focus its pesticide regulatory activities on areas with higher risk, we expected the Ministry:

- To identify the risks associated with monitoring and enforcing compliance with pesticide control laws including risks related to the particular products, locations, and circumstances involving pesticides that pose a threat to human health and the environment
- To analyze the risks associated with each of the major categories of pesticide activities that it regulates (i.e., sales, licensing, use, storage, transportation, and disposal)
- To prioritize those risks
- To document its strategy to address those risks

Since our last follow-up, the Ministry developed a standard risk assessment format to identify the major categories of pesticide activities it regulates, the risks identified for each category, the actions that mitigate those risks, the residual risk(s) remaining, and its strategy to address the residual risk(s). As of, September 28, 2012, the Ministry had completed its analysis on all six categories.

# Chapter 38
# Saskatchewan Crop Insurance Corporation—Security Awareness Follow Up

## 1.0 MAIN POINTS

This chapter describes our follow-up of management's actions on the four recommendations we made in 2010 related to the Saskatchewan Crop Insurance Corporation (SCIC)'s security awareness processes. We recommended that SCIC needed to:

- Document in its policies its requirement for a formal security awareness program
- Specify who is responsible for the security awareness program
- Document its plan for delivery of security awareness training and carry out the plan
- Monitor the effectiveness of its security awareness program

SCIC has implemented all of our recommendations.

## 2.0 INTRODUCTION

SCIC makes significant use of information systems to deliver its programs and services and carry out its mandate. SCIC needs to ensure its information systems are secure. Good security awareness processes help ensure that all SCIC employees keep information secure.

Our 2010 Report – Volume 1, Chapter 3 concluded that SCIC's processes for security awareness were adequate except SCIC needed to:

- Document in its policies its requirement for a formal security awareness program and specify who is responsible for the program
- Document its plan for delivery of security awareness training and carry out the plan
- Monitor the effectiveness of its security awareness program

We made four recommendations.

## 3.0 STATUS OF RECOMMENDATIONS

This section highlights our recommendations and SCIC's actions up to June 30, 2012. We found that SCIC has implemented our recommendations.

## 3.1 Policy for Security Awareness Program in Place

We recommended that Saskatchewan Crop Insurance Corporation include in its privacy and security policies a requirement for a formal security awareness program. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented.

SCIC revised its privacy and security policy to include a requirement for the Privacy and Security Manager to deliver privacy and security training to staff that includes security awareness.

## 3.2 Responsibility for Security Awareness Assigned

We recommended that that Saskatchewan Crop Insurance Corporation document who is responsible to ensure that security awareness activities are regularly carried out. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented.

SCIC's privacy and security policy specifies that the Privacy and Security Manager is responsible to deliver privacy and security training to staff.

## 3.3 Security Awareness Program Plan Documented and Executed

We recommended that Saskatchewan Crop Insurance Corporation document its plan for delivery of security awareness training and carry out the plan. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented.

SCIC has now documented its plan for security awareness training. Its plan includes training sessions for new and existing employees and an annual sign-off by employees to confirm that they have read and understand SCIC's security and privacy policy. SCIC has carried out these plans.

## 3.4 Effectiveness of the Security Awareness Program Measured

We recommended that Saskatchewan Crop Insurance Corporation regularly measure the effectiveness of its security awareness program. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented.

SCIC has developed processes to assess the effectiveness of its security awareness program. For example, SCIC has created database applications to track the progress of staff through training and to track the number of security incidents that occur.

# Chapter 39
# Public Service Commission—Developing Leaders Follow Up

## 1.0 MAIN POINTS

The Public Service Commission (PSC) is the Government's central agency for human resources. This chapter describes management's actions on the recommendations we made in 2009. In 2009, we assessed PSC's processes to develop employees in various ministries for leadership positions. We made three recommendations calling for a mentorship program, developmental experiences to build leadership capacity, and a reporting progress of deputy ministers. As of August 31, 2012, PSC had implemented all three recommendations.

Effective May 2012, PSC is under the responsibility of the Ministry of Central Services.

## 2.0 INTRODUCTION

Under *The Public Service Act, 1998*, PSC is the central human resources agency for about 12,000 staff employed primarily by Government ministries. PSC provides policies and leadership for the development of a professional public service. PSC works with ministries in the delivery of human resources services.

Saskatchewan government ministries employ about 900 managers and about 200 senior leaders (e.g., executive directors, assistant and associate deputy ministers, and deputy ministers).[1] PSC anticipates that half of ministries' senior leaders could retire by 2014 as well as nearly half of the managers who would usually replace them.[2]

Effective senior leadership is essential for ministries' success. Gaps in leadership could result in delayed services or poorly designed changes to government programs. Strategic coordination would help PSC develop leaders to effectively fill key leadership positions across all ministries.

## 3.0 STATUS OF RECOMMENDATIONS

In 2009, we assessed PSC's processes to develop leaders. Our 2009 Report – Volume 1, Chapter 9 concluded that, as of December 31, 2008, PSC's processes to develop leaders for senior management positions in government ministries were adequate, except for its processes to:

- Provide potential leaders with developmental work experiences and mentoring opportunities

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[1] MIDAS information system *Discover Report* as of March 31, 2012.

[2] *2006-10 Human Resource Plan for the Saskatchewan Public Service*, p.8 as updated by PSC.

- Monitor and report on the readiness of ministries to meet their future leadership needs

We made three recommendations.

The following section sets out each of these recommendations and PSC's actions up to August 31, 2012. We found that PSC has implemented our recommendations.

## 3.1 Mentorship Program Used Actively

We recommended that the Public Service Commission use mentorship programs to help develop potential leaders in government ministries. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status** – Implemented.

PSC designed a Mentorship Program in 2010-2011 and implemented it in 2011-2012. Under this Program, a mentor is paired with a mentee for a twelve month period. A mentor is an experienced public sector leader (e.g., a deputy minister) and a mentee is an employee with at least twelve months public sector experience. The Mentorship Program focuses on supporting the mentee's professional developmental and leadership skills. As of July 31, 2012, there were 110 mentors and 162 mentees participating in the Program. Over twenty-one ministries and Crown agencies participate in the Mentorship Program.

## 3.2 Coordinating Developmental Work Experience

We recommended that the Public Service Commission coordinate programs that provide potential leaders in government ministries with suitable developmental work experiences. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status** – Implemented.

Throughout 2010 to 2012, PSC worked with senior leaders in ministries to identify staff considered to have high leadership potential. PSC assessed the readiness and willingness of these potential leaders. It found 55 potential leaders ready to accept senior leader positions. It met with deputy ministers to explore suitable development experiences to help these potential leaders further prepare for senior leader assignments. Of these 55 potential leaders, 15 were appointed during 2011-2012 to positions that were more senior or provided greater experience across government.

## 3.3 Reporting on Leadership Capacity

We recommended that the Public Service Commission monitor and report regularly to deputy ministers on the readiness of government ministries to meet their future leadership needs. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status** – Implemented.

PSC collects information about senior leader vacancies (e.g., retirements and separations for other reasons) in its MIDAS information system. This system enables it to compare trends in separations (i.e., vacancies) to trends in potential leaders available. This helps PSC to identify and manage leadership risks and will help ministries to prepare for future leadership needs.

PSC met three times during 2011 and 2012 with deputy ministers and the Deputy Minister to the Premier to discuss trends in vacancies and the number of potential leaders who were ready for assignment to senior leader positions.

PSC expects to report annually to senior leaders on leadership readiness and capacity to fill anticipated senior leader vacancies. It also updates senior leaders (e.g., May 2012) on leadership training opportunities available to government employees and the number of participants. In 2012-2013, PSC plans to assess the results of its mentorship program and report its progress to senior leaders.

# Chapter 40
# Public Service Commission—Out-of-Scope Staffing Follow Up

## 1.0 MAIN POINTS

*The Public Service Act, 1998* requires the Public Service Commission (PSC) to make appointments to positions in the classified division on the basis of merit. In 2010, we audited PSC's processes to staff out-of-scope permanent positions. This chapter describes our follow-up of management's actions up to August 31, 2012 on two recommendations in our 2011 Report – Volume 1.

As of August 31, 2012, PSC had implemented one of our two recommendations. Our follow-up work found that PSC requires staff to keep specific essential documents that demonstrate that positions are staffed based on merit, but it did not verify that the essential documents were kept. Less than half of the files we examined contained the required essential documents such as references and interview assessments.

Effective May 2012, PSC is under the responsibility of the Ministry of Central Services.

## 2.0 INTRODUCTION

Under *The Public Service Act, 1998,* PSC is the central human resource agency for about 12,000 staff employed primarily by Government ministries. PSC provides policies and leadership for the staffing of a professional public service. PSC works with ministries to deliver human resources services and has delegated to ministries the authority to recruit and hire personnel using processes it has approved.

## 3.0 STATUS OF RECOMMENDATIONS

At March 31, 2012, there were 2,000 out-of-scope positions in the classified division of the public service where PSC has legislated authority to make appointments.[1,2]

In 2010, we assessed PSC's processes to staff out-of-scope permanent positions.[3] Our 2011 Report – Volume 1, Chapter 12 concluded that during the 12 months ended August 31, 2010, out-of-scope classified positions were staffed in compliance with *The Public Service Act, 1998* and regulations. We made two recommendations.

The following sections set out each recommendation and PSC's actions up to August 31, 2012. PSC has implemented one of our recommendations but still has work to do on the second recommendation.

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[1] The classified division includes all positions classified by the Public Service Commission with a classification plan (set of standard criteria that determines the value of one position in relation to another).

[2] The Cabinet makes appointments to the unclassified division.

[3] Out-of-scope positions are positions that are not subject to a collective bargaining agreement. These employees are most often professionals in complex technical or managerial roles.

## 3.1 Documentation Requirements Communicated

We recommended that the Public Service Commission establish and communicate minimum documentation requirements to evidence that appointments to out-of-scope positions within the classified division of the public service are made based on merit. (2011 Report – Volume 1)

**Status** – Implemented.

Since our audit, PSC established minimum requirements for documents that staff must keep in staffing files to show appointments to out-of-scope positions are based on merit. This includes references and interview assessments for at least two or three candidates. In 2011, PSC revised its staffing process and updated its guidance on staffing. PSC created a checklist that states what documents must be retained after completing the staffing process.

Between June 2011 and July 2012, PSC held workshops about the revised staffing process for 900 managers within ministries who hire staff (hiring managers). The workshops explained the hiring process and the role of hiring managers to make certain the documents in staffing files adequately document the rationale for hiring specific candidates based on merit.

PSC also communicated the out-of-scope staffing process on its internal website. It plans to continue communicating the staffing process and documentation requirements on its internal website and in workshops for new hiring managers.

## 3.2 Documents Showing Merit Not Kept

We recommended that the Public Service Commission use a risk-based process to confirm that essential documentation related to staffing out-of-scope positions is kept. (2011 Report – Volume 1)

**Status** – We continue to make this recommendation.

Since our audit, PSC has not taken steps to use a risk-based process to confirm that essential documentation is kept.

*The Public Service Act, 1998* (section 21(4)) requires that "appointments to positions in the classified division are to be made on the basis of merit." Under the Act, PSC is responsible for ensuring that the Government can demonstrate that appointments to the public service are based on merit. To demonstrate merit, staffing files must have documentation that shows the successful candidate had greater merit than other candidates (e.g., assessment from interviews, ranking of candidates, references).

PSC has delegated responsibility for file documentation to ministries and outlined the ministries' accountability in client service agreements. PSC consultants help hiring managers with the staffing process for out-of-scope positions and provide advice or assistance based on the needs of the hiring manager. For example, if a hiring manager has less experience, the consultant might be more involved in the staffing process.

PSC has set minimum documentation requirements for demonstrating appointments are based on merit. However, PSC consultants do not check any staffing files to ensure PSC's minimum documentation requirements are met.

For staffing files of 21 positions staffed by competition, we assessed whether the files contained the essential documentation requirements (e.g., results of interview or alternate assessment process and references). Of the 21 files we examined, less than half of the files contained the required documents. Without retaining the required documents, the Government cannot readily show that it hires out-of-scope staff based on merit.

To fulfill its responsibilities, PSC must verify whether ministries keep essential documents showing appointments to the classified division are based on merit.

# Chapter 41
# Saskatchewan Watershed Authority—Dam Safety Follow Up

## 1.0 MAIN POINTS

This chapter presents our follow up work on our 2005 Report – Volume 1 on dam safety. The Saskatchewan Watershed Authority (Authority) is responsible for the safety of dams that help to preserve a sustainable water supply for the province. Our 2005 Report – Volume 1 explained our audit of the processes used to ensure the safety of four major dams and provided four recommendations. We previously completed follow-ups in 2007 and 2010. As of July 31, 2012, management has not taken action on two recommendations that remain outstanding after six years. These recommendations pertain to dam emergency preparedness plans and safety manuals.

It is important that the Authority have an up-to-date and tested emergency preparedness plan for the Qu'Appelle River dam. The Authority intends to complete this emergency preparedness plan by March 31, 2013. The Authority needs to test the emergency preparedness plan for each of its four major dams (Gardiner, Qu'Appelle River, Rafferty and Alameda) to ensure that the plans are sufficient to protect people and property. The Authority also needs to complete 11 dam safety manuals documenting procedures for operations, maintenance, and surveillance of dam safety.

## 2.0 INTRODUCTION

The Authority is responsible for leading the management of Saskatchewan's water resources. It protects water quality and ensures sustainable water supplies. A sustainable water supply is essential throughout the province for economic growth and the well-being of people, animals, crops, and the environment.

The Authority operates, maintains, and inspects many of Saskatchewan's dams and related water channels. The Authority is responsible for the operation, maintenance, and surveillance of 45 dams within Saskatchewan including the four major dams—the Gardiner, Qu'Appelle River, Rafferty, and Alameda. If any of these dams fail, it would have extreme consequences downstream. For example, towns, businesses, crops, roads, bridges, and wildlife habitat could be flooded and/or have serious long-term damage. It is critical for the Authority to have strong processes to keep these dams safe.

In 2005, we assessed whether the Authority had adequate processes to ensure its four largest dams were safe. We reported the results of the audit in our 2005 Report – Volume 1, Chapter 3. We made four recommendations to assist the Authority to improve its processes.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the recommendations and outlines actions taken by the Authority up to July 31, 2012.

## 3.1 Emergency Preparedness Plans Not Yet Complete

We recommended that the Saskatchewan Watershed Authority have up-to-date, tested emergency preparedness plans for each of its major dams (e.g., Rafferty, Alameda, Qu'Appelle River, and Gardiner). (2005 Report – Volume 1; Public Accounts Committee agreement June 21, 2005)

**Status** – We continue to make this recommendation.

An emergency preparedness plan can safeguard lives. It can reduce property damage in the event of natural flooding or dam failure.

> In cases where dam failure or passage of a major flood could be expected to result in loss of life, the dam owner should prepare and maintain an EPP (Emergency Preparedness Plan) for use by external agencies. In the EPP, the dam owner describes the hazards, the associated notifications to be issued, and in general terms the actions expected of other responders. The EPP is not a response document, but should contain essential information, such as inundation maps and flood arrival details, so that local authorities can develop their own response plans. In the event of an emergency at the dam, the local authorities and other downstream stakeholders would be contacted, as shown on the fan-out notification chart, and asked to initiate their community emergency plans accordingly.[1]

In the event of flooding or dam failure, an emergency plan would provide:

- Communication for timely, coordinated evacuation to protect people in the path of expected flooding
- Dam management practices to protect property or reduce damage
- Timely requests for effective support from local municipalities and other authorities

As of 2012, the Authority has emergency preparedness plans for three of its four major dams. Since June 2010, it has revised its emergency preparedness plans for the Rafferty, Alameda and Gardiner dams. It expects to complete a draft emergency preparedness plan for the Qu'Appelle River Dam by March 31, 2013.

The Authority has not formally tested the three revised emergency plans that are complete. The Authority needs to test these emergency plans to ensure the plans are sufficient to protect people and property. The 2011 spring flooding in Saskatchewan highlights the importance of testing emergency plans. At that time, the force of water released from dams destroyed property and damaged highways.

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[1] Canadian Dam Association Dam Safety Guidelines. (2007), p. 80.

## 3.2 Dam Safety Manuals Remain Unfinished

We recommended that Saskatchewan Watershed Authority set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety. (2005 Report – Volume 1; Public Accounts Committee agreement June 21, 2005)

**Status** – We continue to make this recommendation.

Documenting procedures in electronic or paper manuals makes them more readily accessible to employees. Written directions would help employees maintain the structural integrity and safety of the dams. For example, complete, up-to-date procedures for operations, maintenance, and surveillance of dam safety could help transfer knowledge when key employees leave the Authority.

Management uses 32 manuals to collectively explain how to operate, maintain, and monitor the four major dams. While 21 manuals are reasonably current, 11 need to be updated or completed. The Authority is updating its manuals, but progress has been slow. Management told us this is a result of the redirection of employees to higher priority activities during and following the 2011 flooding.

# Chapter 42
# 3sHealth—Security of Payroll Transactions Follow Up

## 1.0 MAIN POINTS

Effective April 17, 2012, Saskatchewan Association of Health Organizations (SAHO) became 3sHealth.

3sHealth has addressed the one outstanding recommendation that continued from our 2009 follow up of then SAHO's controls to secure transactions on its payroll system. 3sHealth has implemented procedures to monitor the security of its payroll service provider.

## 2.0 INTRODUCTION

In 2006, we audited SAHO's central controls to secure transactions on its payroll system. The central controls are policies and procedures for ensuring the confidentiality, availability, and integrity of the payroll system. We reported the results of our audit in Chapter 2E of our 2006 Report – Volume 3 and made four recommendations for SAHO to help improve its processes.

We completed our first follow-up in 2008. In Chapter 7 of our 2008 Report – Volume 1, we reported that management had adequately addressed three of our four original recommendations.

Our second follow-up in August 2009 found that the one outstanding recommendation had not been fully addressed (see Chapter 10A of our 2009 Report – Volume 3).

This is our third follow-up.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the one recommendation outstanding at August 31, 2009 and SAHO's actions up to March 31, 2012. At March 31, 2012, management has addressed the one remaining recommendation.

### 3.1 Monitoring its Service Provider

We recommended that SAHO monitor the security controls of its Internet Personnel Front End (IPFE) service provider to protect SAHO's systems and data. (2006 Report – Volume 3; Public Accounts Committee agreement June 25, 2007)

**Status** – Implemented.

At March 31, 2012, management has implemented procedures to monitor the security controls of its service provider. 3sHealth receives monthly reports from its service provider detailing security and availability.

In 2011, SAHO signed a new agreement with its service provider. This agreement outlines the service provider's responsibilities to protect and secure the hosted payroll systems and data and requires the service provider to provide monthly reports. The agreement also enables 3sHealth to audit the service provider annually.

Since signing the new agreement, management obtained audit assurance on the service provider's controls. The audit did not find any significant issues.

# Chapter 43
# Cypress Regional Health Authority—IT Security Follow Up

## 1.0 MAIN POINTS

In this chapter, we report that Cypress Regional Health Authority (Cypress) has implemented four of the seven recommendations that we made in 2008. In our 2008 Report – Volume 3, we reported that Cypress needed to strengthen its controls to secure its information technology systems and data. Cypress has more work to do on the remaining three recommendations. It still does not have a complete, approved and tested disaster recovery plan and it needs to configure its systems to protect them from external threats.

## 2.0 INTRODUCTION

In 2008, we audited Cypress's controls to secure (i.e., protect the confidentiality, integrity, and availability) its information technology systems and data. We reported the results of our audit in Chapter 10D of our 2008 Report – Volume 3 and made seven recommendations for Cypress to improve its processes.

We did our first follow-up in 2010. In Chapter 11B of our 2010 Report – Volume 2, we reported the results of our work and concluded that management had implemented two of our seven recommendations. This is our second follow-up.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the five outstanding recommendations and management's progress up to August 31, 2012. We concluded management has implemented two of these recommendations, but needs to do more for the remaining three.

### 3.1 Monitor Security

We recommended that Cypress Regional Health Authority monitor the security controls of its information technology systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – We continue to make this recommendation.

Cypress has configured some of its computers and devices to log security events. It has also drafted a policy to respond to identified security incidents.

Cypress has not yet established a process to monitor its logs for security threats. Therefore, Cypress may not be aware of potential security incidents. Also, Cypress does not monitor the effectiveness of its service provider.

To effectively monitor the security of its IT systems and data, Cypress needs to implement policies and procedures for monitoring and responding to security incidents. Cypress also needs to monitor its service provider to ensure that its systems and data are secure and will be available when needed.

## 3.2 User Access Controlled

We recommended that Cypress Regional Health Authority establish and follow its policies and procedures for granting and removing user access to computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – Implemented.

Cypress has improved its controls over user access. Cypress has documented its processes for granting user access. Cypress now verifies user identity before resetting a user's password or account and also promptly removes access when employees leave.

## 3.3 Configure Computer Systems and Data

We recommended that Cypress Regional Health Authority configure its computer systems and data to protect them from external threats including theft or loss. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – We continue to make this recommendation.

Cypress has taken some steps to improve configuration of its computers to protect them from external threats. For example, Cypress uses reports from antivirus devices to identify and respond to possible security incidents.

However, to effectively secure systems and data, Cypress needs to address all other configuration issues. For example, it needs to periodically change system passwords, improve security of its laptop computers, and implement effective logging processes.

## 3.4 Complete, Approve, and Test Disaster Recovery Plan

We recommended that Cypress Regional Health Authority complete, approve, and test its disaster recovery plan. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – We continue to make this recommendation.

Cypress has created contingency plans for two of its applications and has created a strategy for disaster recovery. Cypress copies some of its data to a secondary location. Management is investigating ways to copy all of its data to a secondary location to be able to recover data effectively and securely.

Cypress still does not have a complete, approved and tested disaster recovery plan. Not having an up-to-date and tested disaster recovery plan increases the risk that systems and data may not be available when needed.

## 3.5 Managing IT Changes

We recommended that Cypress Regional Health Authority implement adequate policies and procedures for managing changes to computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – Implemented.

Cypress now has procedures for managing changes to computer systems and has established a process to track changes, including approvals and testing. Cypress uses an application that tracks and records significant details about the changes including approvals and testing.

# Chapter 44
# eHealth Saskatchewan—Buying IT Services Follow Up

## 1.0 MAIN POINTS

Beginning in 2011, eHealth is responsible for the procurement of health-related information technology (IT) services. This was previously handled by the Ministry of Health.

In 2010, we assessed the adequacy of the Ministry of Health's processes to buy IT services (including IT consultation, oversight, and development and testing of programs and processes). We concluded that the Ministry did not have adequate processes to buy IT services and made eight recommendations to help the Ministry of Health strengthen its processes.

Since 2010, the Ministry of Health, through eHealth Saskatchewan, has made significant improvements and fully addressed six of the eight recommendations. It needs to continue its current work in implementing a system to assess and track the performance of IT service vendors.

## 2.0 INTRODUCTION

In 2010-11, the Saskatchewan Health Information Network (SHIN), a Treasury Board Crown Corporation responsible for the implementation of electronic health record systems (EHR), was renamed eHealth Saskatchewan (eHealth). eHealth's mandate is similar to SHIN's: leading the planning and implementation of Saskatchewan's EHR. eHealth is also responsible for the procurement of health-related IT services. We therefore direct our work and outstanding recommendations to eHealth.

In 2010, we assessed the Ministry of Health's processes to buy IT services including IT consultation, oversight, development, and testing of programs and processes. Our 2010 Report – Volume 1, Chapter 6, concluded that the Ministry of Health did not have adequate processes to buy IT services. We made eight recommendations to help improve the Ministry's processes.

## 3.0 STATUS OF OUR RECOMMENDATIONS

This section sets out the recommendations and the actions that eHealth has taken to address our recommendations up to September 19, 2012. We found that six of these recommendations have been implemented and more work needs to be done on the remaining two recommendations.

## 3.1 Debriefing Vendors on Decisions

We recommended that the Ministry of Health establish a process to debrief unsuccessful vendors on their information technology proposals. (2010 Report – Volume 1; Public Accounts Committee agreement December 8, 2010)

**Status** – Implemented.

eHealth's request for proposals (RFP) is completed once every three years. eHealth's 2012 RFP includes a process to debrief any vendors who wanted additional information on why their proposals were not successful. Unsuccessful vendors can request debriefing in writing within seven days of receiving eHealth's decision. Vendors can attend such debriefing sessions in person at eHealth's Regina office or via teleconference.

## 3.2 Appeal Mechanism in Place

We recommended that the Ministry of Health establish an appeal mechanism to deal with vendors' complaints/disagreements. (2010 Report – Volume 1; Public Accounts Committee agreement December 8, 2010)

**Status** – Implemented.

In its 2012 RFP, eHealth included a process for unsuccessful vendors to submit complaints about the selection process. Unsuccessful vendors can submit complaint notices within 14 days of receiving eHealth's decision, or within 7 days of taking part in a debriefing session with eHealth. Complainants are responsible for outlining the nature of their complaints and providing factual grounds to support why the selection process should be reviewed. Upon receipt of the complaint notice, eHealth's senior officials review the process used in the evaluation and selection with the complainant. eHealth ensures that officials who were involved in the original evaluation are not part of the review process.

eHealth clearly communicated this process to all vendors as part of its current RFP that we reviewed during our follow up work.

## 3.3 Selection Criteria Included in Requests for Proposals

We recommended that the Ministry of Health establish processes to ensure all requests for proposals for specific information technology expertise or services include complete criteria for evaluating those proposals. (2010 Report – Volume 1; Public Accounts Committee agreement December 8, 2010)

**Status** – Implemented.

eHealth has developed processes for consistently requesting all proposals for specific IT expertise or services. The request for resources includes detailed requirements (e.g., timing, duration, and specific skills required) for the successful candidates. We noted that the detailed requirements were clearly communicated in all of the files we reviewed.

## 3.4 Using Consistent Evaluation Documentation

We recommended that the Ministry of Health use consistent evaluation documentation for selecting vendors for specific information technology expertise or services. (2010 Report – Volume 1; Public Accounts Committee agreement December 8, 2010)

**Status** – Implemented.

eHealth uses a competency-based evaluation process and bases its decisions on selection criteria provided to vendors.

The decision to select a vendor is based on factors such as the hourly rate charged, skill sets and experience related to the work required, and interview results. eHealth maintains documentation to support why vendors were or were not selected.

## 3.5 Using eHealth Employees to Hire Vendor Employees

We recommended that the Ministry of Health use its employees to hire employees of information technology vendors. (2010 Report – Volume 1; Public Accounts Committee agreement December 8, 2010)

**Status** – Implemented.

One of eHealth's employees is responsible for coordinating the selection process. A member of eHealth senior management approves all requests to obtain contract resources. We noted evidence that eHealth staff were present during the interviews for contract resources and participated in evaluating candidates.

## 3.6 Obtaining Updates of Projects

We recommended that the Ministry of Health obtain periodic independent updates of projects that are managed and staffed with vendor employees. (2010 Report – Volume 1; Public Accounts Committee agreement December 8, 2010)

**Status** – Implemented.

eHealth expects its project managers to deal with minor issues (e.g., clarification of policies or procedures) arising with their project staff. eHealth management indicated that in cases of major performance issues involving vendor staff, management enters into discussions with the vendor to discuss solutions, such as the termination of the vendor. eHealth has recently hired a director of human resources, who is responsible for the oversight of vendor relationships.

eHealth management receives monthly progress reports from project managers. Project managers must report on the current status of projects and identify any actual or anticipated deficiencies (e.g., budget overruns, scheduling delays). Monthly reports are reviewed by senior management.

## 3.7 Assessing and Tracking Vendor Performance

We recommended that the Ministry of Health (eHealth Saskatchewan) establish adequate processes for assessing information technology vendors' performance. (2010 Report – Volume 1; Public Accounts Committee agreement December 8, 2010)

**Status** – We continue to make this recommendation.

We recommended that the Ministry of Health (eHealth Saskatchewan) keep records of vendors' performance to help decide future information technology service contracts. (2010 Report – Volume 1; Public Accounts Committee agreement December 8, 2010)

**Status** – We continue to make this recommendation.

A system to assess and track the performance of vendors would assist eHealth in deciding which of their vendors are delivering satisfactory services. This information would be useful in making future vendor selection. Without such a system, eHealth may continue to use vendors who did not perform adequately in the past.

As part of its 2012 RFP, eHealth communicated to vendors that their performance would be subject to review as part of a vendor performance management system. eHealth plans to develop a system for assessing and tracking the performance of its vendors.

# Chapter 45
# eHealth Saskatchewan—Electronic Health Record Follow Up

## 1.0 MAIN POINTS

In 2009, we audited the Ministry of Health's processes to guide, monitor, and report on the implementation of its electronic health record systems (EHR). We made four recommendations.

In 2010-11, eHealth Saskatchewan (eHealth) became responsible for leading the planning and implementation of EHR. We followed up the status of our four recommendations with eHealth as of September 30, 2012. We found that neither the Ministry of Health nor eHealth have addressed our recommendations. eHealth needs to develop strategic and operational plans to guide the development and implementation of EHR. eHealth also needs to monitor its overall costs and timelines compared to its plans and develop performance measures to allow it to assess and report its progress.

The development and implementation of Saskatchewan's EHR started in 1997. In 2009, the Ministry of Health's goal was to make EHR available for all Saskatchewan residents by 2014 at a cost of $600 million. By March 31, 2012, $415 million has been spent on EHR and eHealth estimates that it is 30% complete. Therefore, completing EHR may cost substantially more than the $600 million previously estimated.

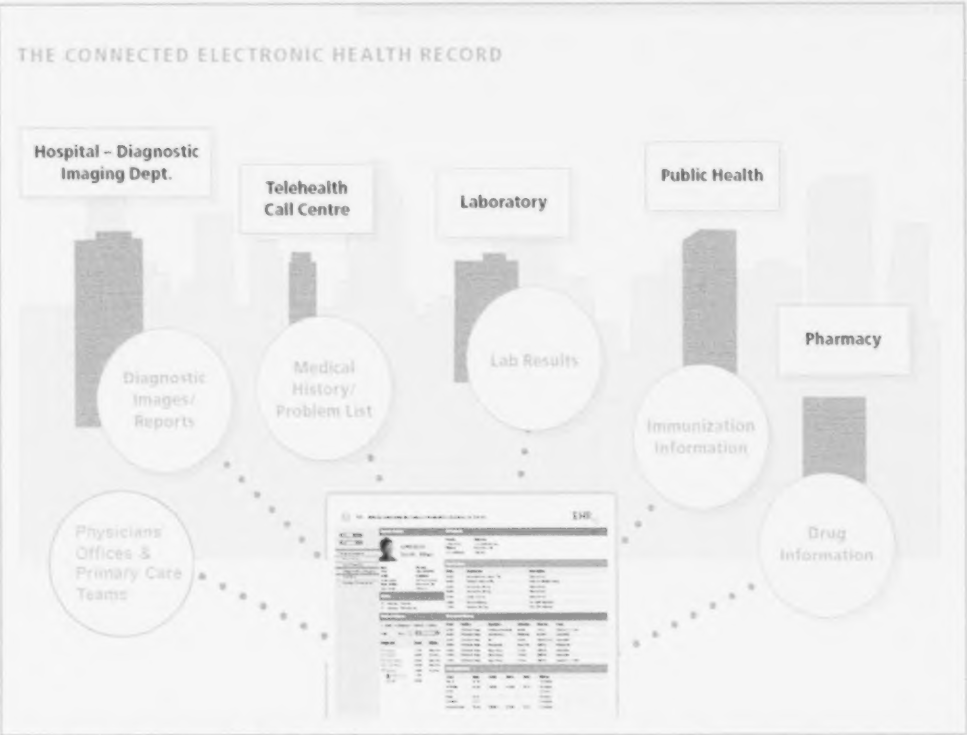
Public money continues to be spent despite the lack of multi-year strategic and operating plans. eHealth needs a complete EHR plan that includes an estimated total cost to complete and sets a timeline for implementation. Without this information, the Legislative Assembly and the public are unable to assess whether EHR will achieve its intended outcomes and whether public money is being spent effectively.

## 2.0 INTRODUCTION

eHealth is governed by a Board of Directors and by a permanent Chief Executive Officer (hired January 1, 2012). eHealth is funded primarily by the provincial government through the Ministry of Health but also receives money from Canada Health Infoway, a federal program that provides funding for a Canada-wide EHR system. As part of its mandate to lead Saskatchewan EHR planning and strategy, eHealth is responsible for procuring, implementing, owning, operating and managing the Saskatchewan EHR (e.g., data repositories, systems, and infrastructure).

EHR consists of an individual's health records designed to be accessed online by users from several separate, compatible systems. There are a large number of Saskatchewan systems complete or in progress. However, integration services (the glue that will connect these systems together to present a single view of patient information anywhere in the province) is in the early stages of development. eHealth estimates, as of March 31, 2012, the provincial EHR is approximately 30% complete.

**Figure 1 – The Integrated Electronic Health Record (EHR)**


THE CONNECTED ELECTRONIC HEALTH RECORD
Hospital – Diagnostic Imaging Dept.
Telehealth Call Centre
Laboratory
Public Health
Pharmacy
Diagnostic Images/ Reports
Medical History/ Problem List
Lab Results
Immunization Information
Drug Information
Physicians' Offices & Primary Care Teams
EHR

Source: *eHealth Saskatchewan 11-12 Annual Report*, p. 9.

## 3.0 STATUS OF RECOMMENDATIONS

The sections below set out our four recommendations and eHealth's actions up to September 30, 2012. We found that eHealth has not yet fully implemented any of our recommendations.

### 3.1 Strategy for Electronic Health Records Being Developed

We recommended that the Ministry of Health's (eHealth Saskatchewan) strategic plan include its strategy for the electronic health record system. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

eHealth began consultations with various stakeholders (e.g., public, care delivery staff) in 2012. The consultations included sessions held in six locations throughout the province. eHealth plans to have additional consultations with physicians and patients in the fall of 2012. Once consultations are complete, an overall eHealth strategic plan will be developed and approved by the Board. eHealth management expects the strategic plan will set goals and objectives for the next three to five years.

The Ministry of Health and eHealth have spent $180 million over the past years (2009-2012) on developing and operating systems that will support an integrated EHR. eHealth needs to develop a strategic plan that includes its strategy for EHR to ensure public money is spent effectively. Management indicated that it is still using planning information last updated in 2006.

## 3.2 Operational Plan for Electronic Health Records Still Needed

We recommended that the Ministry of Health (eHealth Saskatchewan) develop an operational plan to guide the development and implementation of electronic health records. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Management indicated that once a strategic plan is completed, eHealth will develop operational plans that identify priorities for achieving its EHR goals and objectives.

An operational plan could provide a priority roadmap to guide eHealth's future investments on EHR. This priority roadmap should outline which systems need further development and in what order to deliver a functional EHR system.

## 3.3 Monitoring of Overall Costs and Timelines Still Needed

We recommended that the Ministry of Health (eHealth Saskatchewan) monitor its overall costs and timelines, compared to its plans, for development and implementation of electronic health records. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

To monitor projects that contribute to EHR, eHealth receives an annual budget including funding for EHR development and prioritizes its budget allocations based on system projects underway. eHealth tracks costs to date.

At the time of our original audit in 2009, the Ministry of Health had spent a total of $235 million and planned to make EHR available for all Saskatchewan residents by 2014 at a cost of $600 million. As of March 31, 2012, Saskatchewan had spent $415 million on developing and operating systems that will support a province wide EHR. eHealth expects to spend a further $85 million on EHR projects during the year ending March 31, 2013.

The Ministry of Health's goals from 2009 will not be achieved. As described earlier in this chapter, eHealth's latest annual report states that EHR is approximately 30% complete. While eHealth's annual report describes progress being made in developing and implementing an EHR, the annual report does not estimate the planned completion data or total costs to implement. Without this information, the Legislative Assembly and the public are unable to assess whether EHR is on time or on budget.

## 3.4 Performance Measures Being Developed

We recommended that the Ministry of Health (eHealth Saskatchewan) develop performance measures to allow it to assess and report its progress in achieving electronic health record benefits. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Management expects its strategic plan will include performance measures linked to the goals and objectives of eHealth. EHR performance measures will help eHealth assess and report whether it has achieved expected outcomes and benefits of EHR.

# Chapter 46
# Heartland Regional Health Authority—Disposal of IT and Communication Equipment Follow Up

## 1.0 MAIN POINTS

We conducted a follow-up of our 2009 Report – Volume 3 where we assessed Heartland Regional Health Authority's (Heartland's) processes to secure electronic information during the disposal of information technology and communication equipment.

Heartland has made progress in addressing our three recommendations of equipment. It has implemented one recommendation and has more work to do on the remaining two.

Heartland has a policy for its disposal of information technology and communications equipment. However, Heartland has not yet documented specific methods for disposing of different types of equipment or verified that the methods are effective in removing sensitive data.

## 2.0 INTRODUCTION

*The Regional Health Services Act* makes health authorities responsible for the planning, organization, delivery, and evaluation of health services in their health regions. To carry out its role, Heartland must manage health care information. Heartland has a duty to secure electronic information that may contain sensitive and personal information. Ensuring security of health care information upon disposal of equipment is of particular importance to patients and regional health authorities. Unauthorized persons could access information if it is not properly erased from information technology or communications equipment prior to disposal.

In 2009, we assessed Heartland's controls to secure electronic information during the disposal of information technology and communications equipment.

Our 2009 Report – Volume 3, Chapter 10D concluded that Heartland had adequate controls except that it needed to document its procedures, follow its approved policy and verify that procedures for disposal are effective. We made three recommendations.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out our recommendations and Heartland's actions up to August 31, 2012. We found that Heartland has implemented one recommendation and has more work to do on the other two recommendations.

## 3.1 Document Disposal Procedures

We recommended that Heartland Regional Health Authority document its procedures to remove confidential information during disposal of information technology and communications equipment. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Heartland has made progress towards implementing this recommendation but still has work to do. Heartland has a formal policy and procedures for equipment disposal, however these do not specifically set out the acceptable and approved disposal methods for different types of equipment.

Heartland needs to document specific methods for disposing of different types of equipment and keep this documentation up-to-date. New equipment may require new methods. Failure to document specific methods could result in dated, less effective procedures and inconsistency in disposing of IT equipment. Without such documentation, turnover of key staff could result in lost knowledge regarding methods of disposal and processes for verification that data is unrecoverable.

## 3.2 Compliance with Policy and Procedures Documented

We recommended that Heartland Regional Health Authority document that it follows its approved policy and procedures when disposing of information technology and communications equipment. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Implemented.

Heartland has documented how it handled its disposal of information technology and communications equipment. The documentation identifies who disposed of the equipment, when the disposal occurred, and the disposal method. However, as noted above, Heartland should improve its policy and procedures to specify acceptable methods of disposal.

## 3.3 Verify Procedures Are Effective

We recommended that Heartland Regional Health Authority regularly verify that its procedures to remove sensitive information from information technology and communications equipment are effective. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – We continue to make this recommendation.

Heartland has not fully tested its procedures to ensure they are effective. As technology changes, procedures for disposal of IT equipment can become less effective. Therefore, it is important to regularly verify that procedures are effective in removing sensitive data.

# Chapter 47
# Kelsey Trail Regional Health Authority—Medical Equipment Maintenance Follow Up

## 1.0 MAIN POINTS

In our 2010 Report – Volume 2, we made seven recommendations for Kelsey Trail Regional Health Authority (Kelsey Trail) to help improve its processes to maintain its medical equipment. Kelsey Trail has implemented three of the seven recommendations we made in 2010. One recommendation is no longer relevant because Kelsey Trail cancelled the arrangements with its earlier service provider. Kelsey Trail needs to do more work to implement the remaining three recommendations. It needs to maintain a complete list of equipment, maintain that equipment in accordance with required standards, and report maintenance results to senior management.

## 2.0 INTRODUCTION

In 2010, we assessed Kelsey Trail processes to maintain its medical equipment. Our 2010 Report – Volume 2, Chapter 11C concluded that Kelsey Trail did not have effective processes to maintain its medical equipment for the year ended March 31, 2010. We made seven recommendations to improve Kelsey Trail's processes.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the recommendations and Kelsey Trail's actions up to August 31, 2012. We found that one recommendation is no longer relevant, and Kelsey Trail has implemented three recommendations but needs to do more for the remaining three.

### 3.1 Roles and Responsibilities Defined

We recommended that Kelsey Trail Regional Health Authority clearly define roles and responsibilities for maintaining all of its medical equipment in accordance with recommended standards. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Implemented.

Kelsey Trail has implemented policies and procedures that define staff roles and responsibilities for maintaining all of its medical equipment. Management and staff we interviewed were aware of their responsibilities for maintaining medical equipment.

## 3.2 Written Policies and Procedures Established

We recommend that Kelsey Trail Regional Health Authority establish written policies and procedures for maintaining medical equipment at all of its healthcare facilities. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Implemented.

Kelsey Trail has established and implemented policies for maintaining medical equipment at all of its facilities. The policies include guidance on how equipment is physically tagged and how equipment maintenance is electronically tracked.

## 3.3 Service Provider Agreement Cancelled

We recommend that Kelsey Trail Regional Health Authority make an agreement with its service provider for the maintenance of medical equipment. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – No longer relevant.

Kelsey Trail cancelled arrangements with its earlier service provider effective March 31, 2012. Kelsey Trail has service contracts with various manufacturers and uses its own staff to do maintenance work.

## 3.4 Maintain a Complete List of all Equipment

We recommend that Kelsey Trail Regional Health Authority maintain a complete and current list of all medical equipment, its location, and its maintenance record. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – We continue to make this recommendation.

Kelsey Trail implemented a computer system (system) to track medical equipment maintenance. The system identifies who is responsible for performing the maintenance (i.e., maintenance service contract versus in-house staff), what type of maintenance needs to be performed, and how often. The system schedules maintenance based on defined requirements and tracks all maintenance work completed.

Kelsey Trail has entered approximately 4,000 pieces of medical equipment in its system. Kelsey Trail has not entered all equipment in its system but continues to work towards that objective. Any equipment not included in its system will not receive regular maintenance.

## 3.5 Maintain all Equipment in Accordance with the Required Standards

We recommend that Kelsey Trail Regional Health Authority maintain all equipment in accordance with the required standards. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – We continue to make this recommendation.

Kelsey Trail needs to perform maintenance in accordance with manufacturer or legislative requirements. We reviewed the information in its system and found that over 800 pieces of medical equipment had not yet been assessed as to whether preventative maintenance work is needed. Management is aware of the backlog and has hired an additional half time employee in 2012 to help address the issue.

## 3.6 Service Provider Maintenance Monitored

We recommend that Kelsey Trail Regional Health Authority monitor the medical equipment maintenance work performance by manufacturers and its service provider. (2012 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Implemented.

Kelsey Trail implemented policies for monitoring maintenance performed by manufacturers. Kelsey Trail uses its system to document which medical equipment is updated by manufacturers. The system also documents service contract requirements including the timing and frequency of planned maintenance work. Any maintenance work not completed as planned (i.e., past due in the system) is identified in monthly reports. The monthly reports are reviewed by management on a timely basis.

## 3.7 Provide Reports to the Board and Senior Management

We recommend that Kelsey Trail Regional Health Authority provide reports to the Board of Directors and senior management on the state of medical equipment at all of its healthcare facilities. (2012 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – We continue to make this recommendation.

Kelsey Trail provides its Board of Directors and senior management with some information on completed maintenance of its medical equipment. For example, reports identify the number of medical equipment maintenance work orders completed and the reasons for any delays. The reports do not include information on the state of all of its medical equipment at all of its healthcare facilities.

Senior management and the Board should receive reports that set out all medical equipment that has not been maintained in accordance with required standards. The reports should also identify the risk levels associated with each piece of equipment that is not currently being maintained in accordance with its requirements.

# Chapter 48
# Prince Albert Parkland Regional Health Authority—IT Security Follow Up

## 1.0 MAIN POINTS

In this chapter, we report the results of our follow-up on the recommendations from our 2011 Report – Volume 1 where we audited Prince Albert Parkland Regional Health Authority's (PA Parkland's) controls to secure its information technology (IT) systems and data.

PA Parkland needs to do more to fully address two outstanding recommendations from our 2011 IT security audit. PA Parkland needs to monitor its data centre, secure wiring closets and encrypt portable computers, and test its disaster recovery plan.

## 2.0 INTRODUCTION

In 2011, we audited PA Parkland's controls to secure (i.e., protect the confidentiality, integrity, and availability) its IT systems and data. We reported the results of our audit in Chapter 11 of our 2011 Report – Volume 1 and made three recommendations for PA Parkland to help improve its processes.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the three recommendations and PA Parkland's progress up to August 31, 2012. PA Parkland has implemented one of our recommendations and needs to do more to fully address the other two recommendations.

## 3.1 Monitoring Service Providers

> We recommended that the Prince Albert Parkland Regional Health Authority monitor whether its information technology service providers meet its security requirements. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)
>
> **Status** – Implemented.

At May 31, 2012, PA Parkland ended its contract with its private sector service provider and took over the support and maintenance of its IT data centre. PA Parkland continues to have a service level agreement with eHealth Saskatchewan.[1] Management is working to update its agreement with eHealth including addressing disaster recovery requirements.

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[1] eHealth Saskatchewan is a Treasury Board Crown Corporation previously called Saskatchewan Health Information Network.

## 3.2 Restrict Physical Access

We recommended that Prince Albert Parkland Regional Health Authority restrict physical access to information technology systems and data. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

**Status** – We continue to make this recommendation.

PA Parkland still needs to monitor its data centre, secure its wiring closets, and encrypt portable computers. It has improved its controls over physical access. It has a card reader for its data centre and manually records entries to the facility. It is also beginning a process to receive and review logs of data centre entry. However, PA Parkland still permits maintenance personnel unescorted access to the data centre. PA Parkland does not have any additional controls, such as video monitoring, in place to monitor such unescorted access in the data centre.

PA Parkland does not lock all wiring closets that permit access to network equipment or encrypt portable computers. PA Parkland plans to address these matters by March 31, 2013.

## 3.3 Maintain and Test Disaster Recovery Plan

We recommended that Prince Albert Parkland Regional Health Authority maintain an up-to-date and tested disaster recovery plan based on a threat and risk assessment. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

**Status** – We continue to make this recommendation.

PA Parkland has not fully documented its recovery procedures and tested its disaster recovery plan.

PA Parkland has developed an approved disaster recovery plan, identified critical systems, and the timelines required to recover them. However, it does not have documented procedures and responsibilities for recovery of those critical systems.

The disaster recovery plan is untested. PA Parkland informally tested some emergency response processes due to an extended power outage in Prince Albert in the summer 2012. However, the testing of emergency response processes did not include recovery of servers and systems or data that reside on the servers. Also, PA Parkland has a number of critical systems that are hosted at eHealth and does not have a process to ensure eHealth can address its disaster recovery requirements. PA Parkland is working towards updating its agreement with eHealth.

# Chapter 49
# Saskatoon Regional Health Authority—Protecting IT Infrastructure Follow Up

## 1.0 MAIN POINTS

In 2010, we made six recommendations to help strengthen Saskatoon Regional Health Authority (Saskatoon RHA)'s processes to protect its information technology systems and data. In this chapter, we report that Saskatoon RHA has implemented one of the six recommendations we made in 2010. Saskatoon RHA is now providing reports to the Board of Directors and senior management on the state of its information technology infrastructure. Saskatoon RHA needs to do more work to address our remaining five recommendations. Saskatoon RHA needs to implement adequate information technology policies, effectively restrict access to systems and data, securely configure its computers and network equipment, and monitor the security of its information technology infrastructure. Saskatoon RHA also needs a complete, approved and tested disaster recovery plan.

## 2.0 INTRODUCTION

In 2010, we audited Saskatoon RHA's processes to protect its information technology infrastructure. We reported the results of our audit in Chapter 11D of the 2010 Report - Volume 2 and made six recommendations to help Saskatoon RHA improve its processes.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out our recommendations and Saskatoon RHA's actions up to August 31, 2012. Saskatoon RHA has implemented one of the six recommendations.

### 3.1 Implement Adequate IT Policies

> We recommended that Saskatoon Regional Health Authority implement adequate information technology policies. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)
>
> **Status** – We continue to make this recommendation.

Saskatoon RHA requires policies and procedures to effectively manage its information technology infrastructure.

Saskatoon RHA has performed a risk analysis and identified IT policy requirements. It has developed, approved, and implemented some policies that were identified.

However, it has not developed approved policies for reporting IT security incidents, wireless access, and physical security.

## 3.2 Restrict User Access

We recommended that Saskatoon Regional Health Authority adequately restrict access to information technology equipment, systems, and data. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – We continue to make this recommendation.

Saskatoon RHA needs to protect its systems and data by restricting access to authorized users.

Saskatoon RHA has processes to grant and remove user access. However, it does not consistently follow its processes. We found fourteen individuals no longer employed continued to have access to Saskatoon RHA's systems and data.

Continued access of even one employee who no longer works for Saskatoon RHA increases the risk of unauthorized changes to its systems and data.

## 3.3 Configure and Update Computer Equipment

We recommended that Saskatoon Regional Health Authority configure and update its computers and network equipment to protect them from security threats. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – We continue to make this recommendation.

Saskatoon RHA has taken steps to improve its configuration of computer systems and data to protect them from external threats. For example, Saskatoon RHA periodically updates computers and network equipment. However, Saskatoon RHA does not have policies and procedures for updating its computers and network equipment. We found that Saskatoon RHA had not updated some network equipment including security devices (e.g., firewalls).

Failure to update computers and network equipment increases the risk that Saskatoon RHA's data may be inappropriately disclosed, modified, or lost.

## 3.4 Prepare and Test Disaster Recovery Plan

We recommended that Saskatoon Regional Health Authority prepare and test an information technology disaster recovery plan. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – We continue to make this recommendation.

Saskatoon RHA identified recovery objectives for its top 25 critical applications. Saskatoon RHA also developed a draft disaster recovery plan. The work completed helped Saskatoon RHA to identify existing gaps and recommend steps to manage its risks.

In June 2012, the Board approved a budget of $1.4 million for backup and recovery solutions. While the work is not yet complete, management expects these steps will help mitigate the current risks while it continues to complete its disaster recovery plan.

## 3.5 Monitor Security

We recommended that Saskatoon Regional Health Authority monitor the security of its information technology infrastructure. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – We continue to make this recommendation.

Saskatoon RHA has improved its monitoring of systems and data. Reports provided to management include assessments of current risks and known vulnerabilities. Saskatoon RHA hired contractors to help assess the current state of its security. Management has prioritized the weaknesses the contractors identified and has plans to address these issues.

Saskatoon RHA lacks processes for detecting day-to-day security threats. For example, it does not review its logs to identify potential security attacks. This could leave Saskatoon RHA exposed to a security breach.

Saskatoon RHA needs effective monitoring and processes to detect security attacks and potential breaches.

## 3.6 Providing Timely Reports

We recommended that Saskatoon Regional Health Authority provide timely reports to the Board of Directors and senior management on the state of its information technology infrastructure. (2010 Report – Volume 2; Public Accounts Committee agreement January 19, 2011)

**Status** – Implemented.

The Board of Directors and senior management received reports describing the current state of risks in Saskatoon RHA's IT infrastructure. Based upon the information, the Board allocated additional funds to address identified risks. Senior management has developed a three year work plan to address the identified risks.

Saskatoon RHA created a committee to develop new IT processes and to monitor the current state of its controls. This committee includes members of senior management and meets regularly. The Audit and Finance Committee of the Board also receives periodic updates on the progress of Saskatoon RHA's three year work plan.

# Chapter 50
# Financial and Consumer Affairs Authority—Processes to Investigate Complaints Follow Up

## 1.0 MAIN POINTS

Effective October 1, 2012, the Saskatchewan Financial Services Commission (Commission) became the Financial and Consumer Affairs Authority of Saskatchewan.

In 2007, we audited the Commission's processes to investigate complaints from the investing public. Investigating complaints from the investing public is a key mechanism for the Commission to detect breaches of securities law. We reported the results of our audit in Chapter 15 of our 2007 Report – Volume 3 and made five recommendations for the Commission to help improve its processes.

Our first follow-up in 2010 (2010 Report – Volume 2, Chapter 14) concluded that the Commission had implemented three recommendations but needed to do more to address the remaining two recommendations.

The Commission has addressed the remaining two recommendations.

## 2.0 INTRODUCTION

The Commission regulated the financial services industry in Saskatchewan. It enforced Saskatchewan securities law by setting investigation and enforcement policies, investigating complaints, hearing matters, and taking enforcement action related to violations of securities law.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the two remaining recommendations and the Commission's actions up to August 31, 2012. We found that the Commission has implemented our remaining two recommendations.

### 3.1 Independent Review of Investigations Performed

We recommended the members of the Saskatchewan Financial Services Commission monitor all investigations of complaints from the investing public including those referred to self-regulatory organizations. (2007 Report – Volume 3; Public Accounts Committee agreement August 28, 2008)

**Status** – Implemented.

The Commission investigated alleged contraventions of Saskatchewan securities laws that came to its attention through complaints received from the public, its own surveillance, and referrals from other regulatory agencies. It created case files for each complaint. In 2009, Commission members began reviewing case files. This monitoring process required senior management and Commission members to ensure that necessary investigations have been conducted and appropriate conclusions have been made. Also, senior management and members of the Commission completed a checklist indicating that the files have been reviewed. We noted that all of the files that we examined during this follow-up were appropriately reviewed and documented.

## 3.2 Measures and Targets Established for Securities Complaints Process

We recommended the members of the Saskatchewan Financial Services Commission set performance targets to help measure progress towards objectives. (2007 Report – Volume 3; Public Accounts Committee agreement August 28, 2008)

**Status** – Implemented.

The Commission set a number of process-based measures and targets. For example, the Commission now has a target that complaints must be acknowledged within two days of receipt and assessed within thirty days. Management explained variation between targets and actual performance to Commission members at Commission meetings. Work is also underway on implementing outcome-based measures.

# Chapter 51
# Justice—Security Awareness Processes Follow Up

## 1.0 MAIN POINTS

Effective May 25, 2012, the Ministry of Justice and Attorney General became the Ministry of Justice and is now also responsible for Corrections and Policing. Recommendations previously directed at the Ministry of Justice and Attorney General are now directed at the Ministry of Justice consistent with the new legislative mandate of the Ministry of Justice. The Ministry of Justice and Attorney General (Justice) uses information systems that are critical to its operations. Justice must keep its information systems secure. A key part of security for Justice is having an effective security awareness program for its employees.

This chapter describes our follow-up of management's actions on the recommendations we made in 2010 relating to Justice's security awareness processes. Justice has made some progress in addressing our recommendations but has more work to do. It needs to complete its plan for security awareness and monitor the effectiveness of its program for security awareness.

## 2.0 INTRODUCTION

In 2010, we assessed Justice's processes for security awareness. Our 2010 Report – Volume 1, Chapter 8 concluded that Justice's processes for security awareness were adequate except that Justice needed to:

- Assess its security awareness needs
- Update its formal plan for its security awareness program and carry out the plan
- Monitor the effectiveness of its security awareness program

We made three recommendations.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the three recommendations and Justice's actions up to June 30, 2012. We found that Justice has made progress but still has work to do.

## 3.1 Assess Security Awareness Needs

We recommended that the Ministry of Justice and Attorney General assess its security awareness needs and ensure its security awareness program addresses those needs. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – We continue to make this recommendation.

Justice has begun to assess its security awareness needs and has begun to document them in its security awareness plan. However, it has not yet finalized and approved its updated security awareness plan.

## 3.2 Complete Plan for Security Awareness

We recommended that the Ministry of Justice and Attorney General update its formal plan for its security awareness program and carry out the plan. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – We continue to make this recommendation.

While Justice held a variety of security awareness activities throughout the year, it has not yet completed updating its security awareness plan. Justice told us that it plans to update and carry out its security awareness plan by March 31, 2013.

## 3.3 Monitor Effectiveness of Security Awareness Program

We recommended that the Ministry of Justice and Attorney General monitor the effectiveness of its security awareness program. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

**Status** – We continue to make this recommendation.

While Justice is now assessing the effectiveness of its existing security awareness processes through formal surveys of its employees and through discussions and input from senior management, it will need to do this in conjunction with the new plan once this is in place.

# Chapter 52
# Monitoring Provincial Policing Services Delivered by the RCMP Follow Up

## 1.0 MAIN POINTS

Effective May 25, 2012, Corrections and Policing became part of the Ministry of Justice (Ministry).

The Ministry is responsible for provincial policing. To meet its policing objectives, the Ministry contracts for the services of the Royal Canadian Mounted Police (RCMP). Our 2009 Report – Volume 1 contained the results of our audit of the processes to monitor provincial policing services delivered by the RCMP including five recommendations. As of October 9, 2012, management has taken action on four recommendations. The remaining recommendation relates to verifying the accuracy of costs charged by the RCMP.

## 2.0 INTRODUCTION

One of the purposes of the Ministry is to plan, develop, promote and implement policies and programs of the Government of Saskatchewan related to policing.[1] To meet its policing objectives, the Ministry contracts with the Government of Canada for the services of the Royal Canadian Mounted Police (RCMP) as allowed under *The Police Act, 1990*. The total provincial cost for RCMP services for Saskatchewan for 2011-12 was $146 million.[2] This cost is expected to increase annually, reaching over $326 million for the final year of the current agreement in 2032.[3]

If the Ministry does not adequately monitor the services the RCMP provides under its agreement with the Ministry, those services may not meet the Ministry's needs. Not meeting the Ministry's needs could contribute to a lack of effective law enforcement resulting in reduced public safety. Also, if costs of the agreement are not adequately managed, the Ministry may pay for services it did not receive.

In 2009, we assessed the Ministry's processes to monitor provincial policing services delivered by the RCMP. Our 2009 Report – Volume 1, Chapter 3 concluded that for the twelve-month period ended January 31, 2009 the Ministry did not have adequate processes to monitor provincial policing services delivered by the Royal Canadian Mounted Police. We made five recommendations.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the recommendations and outlines actions taken by the Ministry up to October 9, 2012. We found that the Ministry has made good progress, but still has work to do.

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[1] The Ministry of Justice Regulations, s. 3(2)(b).
[2] *Ministry of Corrections, Public Safety & Policing, 11-12 Annual Report*, p. 28.
[3] Orders in Council 512/2011, Schedule B.

## 3.1 Provincial Policing Services Agreement Signed

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) establish an adequate provincial policing services agreement with the Royal Canadian Mounted Police that:

- Includes performance targets to measure progress towards planned objectives
- Allows for verification that costs charged by the Royal Canadian Mounted Police for provincial policing are accurate
- Requires adequate written explanations of differences between planned and actual results
- Describes processes for resolving disputes

(2009 Report – Volume 1; Public Accounts Committee agreement February 2, 2010)

**Status** – Implemented.

In 2011, the Ministry signed a new provincial policing services agreement with the Government of Canada for the services of the RCMP for the years 2012 to 2032. Per the agreement, the Ministry will provide the RCMP with its annual objectives, priorities and goals. The agreement requires the RCMP to report on the implementation status of those objectives, priorities and goals. The RCMP is also required to report on its actual expenses along with explanations of differences between planned and actual results. The agreement allows the Ministry to request audits to verify that costs charged by the RCMP are accurate. Dispute resolution processes included in the agreement provide various means to address financial and operational issues.

## 3.2 Service Expectations Communicated

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) ensure it communicates to the Royal Canadian Mounted Police in writing its provincial policing service level objectives and priorities each year. (2009 Report – Volume 1; Public Accounts Committee agreement February 2, 2010)

**Status** – Implemented.

The Ministry set out its annual priorities for 2011-12 in a letter to the RCMP. This letter explained the importance of the priorities and the actions expected of the RCMP.

## 3.3 Performance Reports Received

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) obtain regular reports from the Royal Canadian Mounted Police on progress towards service level objectives and priorities, including explanations of differences between actual and planned results. (2009 Report – Volume 1; Public Accounts Committee agreement February 2, 2010)

**Status** – Implemented.

The RCMP reported on its performance in accordance with the annual priorities the Ministry set for 2011-12. The report described progress toward priorities, program challenges, and future actions planned. The Ministry also requested the RCMP to complete evaluations of selected programs to help it assess progress towards objectives.

## 3.4 Verify Costs Charged by the RCMP

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) verify that costs charged by the Royal Canadian Mounted Police for provincial policing are accurate. (2009 Report – Volume 1; Public Accounts Committee agreement February 2, 2010)

**Status** – We continue to make this recommendation.

As described above, the Ministry signed a new provincial policing services agreement with the Government of Canada for the services of the RCMP for the years 2012 to 2032. The agreement allows the Ministry to request audits to verify the accuracy of costs charged by the RCMP. The Ministry has not yet received or requested any audit reports because this is the first year under the new agreement.

The RCMP provided monthly financial reports and a year-end report of expenses. These reports did not include explanations of differences between actual and planned results. Management receives verbal explanations of these differences. Written explanations would enable the Ministry to analyze the information and identify key issues to report to senior management. Management indicated it is working to address this issue through revisions to its reporting requirements.

## 3.5 Identifying Risks to Police Service Delivery

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) identify and treat all significant risks to police service delivery by the Royal Canadian Mounted Police. (2009 Report – Volume 1; Public Accounts Committee agreement February 2, 2010)

**Status** – Implemented.

Before signing the new provincial policing services agreement, the Ministry undertook a review of the previous agreement. This process considered risks to provincial policing and if and how these risks would be addressed by a new agreement for RCMP services. In addition, the new agreement provides for periodic reviews of the police services, which can identify new risks to be addressed. These review practices demonstrate that processes exist to help manage risks to provincial policing.

# Chapter 53
# Monitoring Charitable Gaming on Reserves Follow Up

## 1.0 MAIN POINTS

Saskatchewan Liquor & Gaming Authority (Liquor & Gaming) is responsible for regulating gaming in the Province. In 2010, we assessed Liquor & Gaming's processes to monitor regulatory compliance for charitable gaming on reserves. We found that Liquor & Gaming needed to identify key risks to charitable gaming and use them to evaluate compliance, provide written reports of its evaluation of Indigenous Gaming Regulators Inc.'s compliance to senior management, and keep a written record of revised actions and proposed changes to its Licensing agreement.

This chapter describes our follow up of management's actions on the recommendations we made in 2010. We made three recommendations (2010 Report – Volume 2). Liquor & Gaming has implemented all three recommendations as of August 31, 2012.

## 2.0 INTRODUCTION

Liquor & Gaming is responsible for regulating gaming in the Province. More specifically, it is responsible for working with other agencies to achieve the consistent regulation of gaming throughout Saskatchewan.[1]

In March 2007, the Government designated Indigenous Gaming Regulators Inc. (IGR) as an authority to regulate charitable gaming on specified reserves in Saskatchewan.[2] Through a detailed Licensing Agreement signed by Liquor & Gaming and IGR, the Government gave IGR authority to perform certain regulatory activities related to charitable gaming on specified reserves including:

- Licensing charities to conduct charitable gaming on reserves
- Monitoring compliance with the terms and conditions of the gaming licenses issued (e.g., with on-site inspections)
- Verifying the accuracy and completeness of reported revenues and expenditures of the charities (e.g., through audits)

Liquor & Gaming is responsible for monitoring IGR's performance of these regulatory activities so that gaming regulations are applied consistently throughout the Province. In 2010, we assessed Liquor and Gaming's processes to monitor regulatory compliance for charitable gaming on reserves. Our 2010 Report – Volume 2, Chapter 15A concluded that Liquor & Gaming had adequate processes as at April 30, 2010 to monitor IGR's compliance with charitable gaming regulatory agreements except as follows. Liquor & Gaming needed processes for:

- Identifying key risks to charitable gaming and using them to evaluate IGR's compliance

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[1] *The Alcohol and Gaming Regulation Act, 1997,* section 12.
[2] The Government took this action through Order in Council 217/2007.

- Preparing timely written reports to senior management about IGR's compliance
- Documenting new or revised actions required for consistent application of the regulations

## 3.0 STATUS OF RECOMMENDATIONS

This section set out the recommendations and Liquor & Gaming's actions up to August 31, 2012. We found that Liquor & Gaming has implemented our recommendations.

### 3.1 Key Risks Identified

We recommended that the Saskatchewan Liquor and Gaming Authority identify key risks to charitable gaming and use them to focus its evaluation of the Indigenous Gaming Regulators Inc. compliance with the Licensing Agreement. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented.

Liquor & Gaming identified and documented key risks to be used to focus its evaluation of IGR's compliance with the Licensing Agreement. These risks and the strategies to mitigate these risks were developed considering the basic underlying risks associated with charitable gaming. Liquor & Gaming's Senior Management Committee approved these risks in February 2012.

### 3.2 Reporting Evaluations to Senior Management

We recommended that the Saskatchewan Liquor and Gaming Authority's senior management receive timely, summarized, written reports of its quarterly and annual evaluations of the Indigenous Gaming Regulators Inc. compliance with the Licensing Agreement for charitable gaming. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented.

A report of the work completed by Liquor & Gaming's Licensing and Charitable Gaming Branch on IGR's 2011-12 annual licensing report was submitted to senior management of the Regulatory Compliance Division in August 2012. The report outlines work completed to ensure IGR is meeting the terms of the Licensing Agreement. IGR is required to provide information regarding: charitable gaming licenses issued during the preceding fiscal year, charitable gaming licences where the concluding financial report was received during the preceding fiscal year, and the monitoring and enforcement activities undertaken by IGR. The report concluded that the information presented complied with the Licensing Agreement.

## 3.3 Written Record of Required Actions and Changes

We recommended that the Saskatchewan Liquor and Gaming Authority keep a written record of required actions and proposed changes to its Licensing Agreement for charitable gaming as agreed upon with Indigenous Gaming Regulators Inc. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented.

Liquor & Gaming uses a joint committee to clarify responsibilities and exchange information with IGR. The joint committee is comprised of two members from Liquor & Gaming and two members from IGR. During 2010 to 2012, Liquor & Gaming kept a written record of required actions and proposed changes to the Licensing Agreement through minutes of this committee. Draft revisions to the Licensing Agreement are proposed at the joint meeting. If changes are required to the draft revision, a plan is documented indicating who is responsible and the timeframe for completion. Final changes to the Licensing Agreement are formally agreed to in a revised written appendix.

# Chapter 54
# Social Services—Securing Physical Information Follow Up

## 1.0 MAIN POINTS

In this chapter, we followed up on the recommendations made in our 2010 Report – Volume 2, Chapter 20 to improve the Ministry of Social Services' (Social Services') processes to secure physical information. Social Services has implemented all three of our recommendations. It provides regular security awareness training to employees, removes access to information for terminated and transferred employees, and tracks the movement of confidential information and files.

## 2.0 INTRODUCTION

The mandate of Social Services is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. Social Services assists these efforts through income support programs, child and family services, support for persons with disabilities, efforts to develop affordable housing, and by building greater capacity in community-based organizations.[1]

In carrying out its mandate, Social Services receives and stores private sensitive information (e.g., the information Social Services uses to determine assistance for eligible citizens; personal and private information gathered during visits to clients' homes). Social Services must have effective processes to secure physical information. Inadequate processes could lead to unauthorized disclosure or alteration of sensitive personal information, and loss of information resulting in loss of public confidence.

In 2010, we assessed Social Services' processes to secure physical information. Our 2010 Report – Volume 2, Chapter 20 concluded that Social Services had adequate processes to secure physical information except for its processes to:

- Provide regular security awareness training to employees
- Remove access to information for terminated and transferred employees
- Track movement of confidential information and files

We made three recommendations.

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[1] Ministry of Social Services *11-12 Annual Report*, p. 6.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out the recommendations and Social Services' actions to address our recommendations up to September 30, 2012. We found that Social Services has implemented our recommendations.

### 3.1 Security Awareness Training Provided

We recommended that the Ministry of Social Services provide regular security awareness training to employees to help ensure premises and equipment are adequately secured. (2010 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Implemented.

Social Services provided security awareness training to its new employees during orientation. This occurred twice during the year, once in Regina and once in Saskatoon. All other employees had access to an on-line access and privacy training course. This course gives employees a better understanding of the laws that apply to access to government records and to protection of personal information.

Social Services also promoted security awareness throughout the year. May was designated as "Privacy and Security Awareness" month. Various brochures and information were shared with all employees. There were also four half-day presentations offered to employees during that month. The presentations covered privacy of information, security of information, records management, and access to information. Privacy and Security Awareness newsletters were also shared with employees throughout the year.

### 3.2 Physical Access Policies Followed

We recommended that the Ministry of Social Services follow its policies for removing access to information for terminated and transferred employees. (2010 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Implemented.

Social Services has a policy that requires all employees to keep a record of what items they received upon employment (e.g., building access card, keys) and return those items when transferred or terminated. During the year, Social Services used a checklist to keep track of this information. When items are returned, both the employee and the supervisor sign off the checklist. Supervisors also completed additional checklists, indicating that government property was returned upon an employee's transfer or termination.

## 3.3 Process to Track Information and Files in Place

We recommended that the Ministry of Social Services establish a process to track movement of confidential information and files. (2010 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Implemented.

Social Services established a process to track movement of confidential information and files. For those files that are transferred between offices, Social Services used the registered inter-office mail system (i.e., Trace Mail). Social Services used the trace mail form for transferring the files. The form includes who is sending the file, where it is going, and the signature of the person receiving the files.

We found Social Services also has a process to track files that are located in file rooms at the service centres. When an employee requires a file, the file is signed out using a card system. The card shows the date the files were signed out, the name and/or case number of the file, and who took the file. All closed or transferred files are noted in the LINKIN information technology system.

# Standing Committee on Public Accounts

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# Chapter 55
# Standing Committee on Public Accounts

## 1.0 MAIN POINTS

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee). It briefly describes what the Committee does, how it is structured, and how it works.

The Committee is a key agent of change for improving the Government's management of public resources. It helps the Legislative Assembly hold the Government accountable for its management of public resources.

The Committee reviews the activities, performance, and reports of government ministries, agencies, and certain Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. The Committee's discussions include broader issues such as strategic plans, key risks to achieving goals and objectives, and performance measurement.

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Third Report to the 26th Legislature. The Committee presented this report to the Assembly on September 6, 2011.

The Committee's reports during the previous five years contained 539 recommendations. The Government has fully implemented 72% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 70% are partially implemented.

## 2.0 INTRODUCTION

We discuss the importance of the Committee's deliberations and recommendations and highlight some of its recent accomplishments. Also, in Section 6.0, we set out the status of the Committee's outstanding recommendations that are not discussed elsewhere in this report. The remaining outstanding recommendations are included in the relevant chapters throughout our report. Reviewing these outstanding recommendations provides the Committee with an opportunity to ask Government officials how they are progressing towards meeting the Committee's expectations.

## 3.0 OVERVIEW OF COMMITTEE'S ROLE AND RESPONSIBILITIES

At the beginning of each Legislature, the Legislative Assembly (Assembly) appoints members to the Committee. The Committee helps the Assembly hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Assembly and thus, for the public.

The management of public resources begins and ends in the Assembly. The Government manages Saskatchewan's public resources through a complex structure of over 270 agencies including ministries, boards, and Crown corporations (see Appendix 1 of this report for a list of these agencies). It seeks approval for the use of these resources through laws and the Assembly's approval of the Estimates.

Each year, the Government prepares the Public Accounts. The Public Accounts consist of two reports. The first report contains the Summary Financial Statements of the Government, the financial statements of the General Revenue Fund (GRF), a Financial Statement Discussion and Analysis section, and other financial information. The second report contains details on revenues and expenditures of certain agencies that receive money from the GRF, details on capital asset acquisitions of those agencies, a listing of suppliers who received $50,000 or more for goods and services supplied to the GRF, key financial information of some pension plans and trust funds administered by the Government, a listing of taxes and fees, and information on road-use fuel tax accountability. The reports are available at www.finance.gov.sk.ca/.

The Assembly refers the Public Accounts and the reports of our Office to the Committee.[1] The Committee can use these reports to review the Government's management of public resources.

The Committee discusses and recommends actions on issues that Committee members and our Office raise. To meet its responsibilities, the Committee examines and evaluates the activities of government agencies (e.g., ministries, Crown corporations) included in the Public Accounts. It also reviews the issues raised in our reports based on our work at these agencies.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

Government officials attend the Committee meetings to answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee formally reports its findings and recommendations to the Assembly in written reports.

The Committee's discussions and recommendations to the Assembly promote a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee acts as an agent of change for the management practices of government. The Committee's work is crucial in a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and contributes to the public's confidence in our system of government.

The Committee's meetings are televised and open to the public. Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) are available to the public on the Committee's website www.legassembly.sk.ca/legislative-business/.

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[1] Certain chapters within our reports are referred to the Standing Committee on Crown and Central Agencies.

## 3.1 The Members of the Standing Committee on Public Accounts

As of October 2012, the members of the Committee were:

- Trent Wotherspoon, MLA, New Democratic Party, Chair
- Scott Moe, MLA, Saskatchewan Party, Deputy Chair
- Jennifer Campeau, MLA, Saskatchewan Party
- Herb Cox, MLA, Saskatchewan Party
- Glen Hart, MLA, Saskatchewan Party
- Warren Michelson, MLA, Saskatchewan Party
- Cory Tochor, MLA, Saskatchewan Party

The Committee consists of seven members and the membership is based on the ratio of party standings in the Assembly. The Chair of the Committee is a member of opposition and the Deputy Chair is a member of government. Prior to the 2011 election, there were two opposition members on the Committee; after the election one member of opposition is on the Committee.

## 3.2 Committee Accomplishments

Since the fall of 2011, the Committee met three times to review our reports on the results of our work at government agencies. These reports included our 2010 Report (Volume 2), 2011 Report (Volumes 1 and 2), and 2012 Report (Volume 1).

As of October 2012, the Committee has not completed its review of all chapters in our following reports:

- 2010 Report – Volume 2 (one chapter outstanding)
- 2011 Report – Volume 1 (two chapters outstanding)
- 2011 Report – Volume 2 (eleven chapters outstanding)
- 2012 Report – Volume 1 (fifteen chapters outstanding)

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Third Report to the 26th Legislature.[2] The Committee presented this Report to the Assembly on September 6, 2011. The report contains over 230 recommendations. It was moved by the Deputy Chair of the Committee and agreed to by the Legislative Assembly "that the draft Third Report of the Standing Committee on Public Accounts be adopted and that the final report be approved by the Steering Committee and filed with the Clerk pursuant to Rule 135(6)". The Government responded to this report on December 20, 2011.[2]

The Committee's previous reports were the First and Second Reports to the 26th Legislature. They were presented to the Assembly on March 25, 2009 and March 7, 2011[3], respectively.

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[2] The Committee's Third Report to the 26th Legislature and the Government Response can be found at www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/ (18 Oct 2012).

[3] The Second Report summarizes the process undertaken for the Provincial Auditor Competition.

## 4.0 STATUS OF RECOMMENDATIONS OF THE COMMITTEE

The Committee has asked us to monitor compliance with its recommendations and to report on their status. This chapter, along with other chapters in our report, provide an update on the status of the Committee's outstanding recommendations that the Government has not yet fully implemented.

The Committee's reports during the previous five years contained 539 recommendations. Some of these recommendations take a number of years to implement. As of October 2012, the Government has fully implemented 72% (October 2011–60%) of the Committee's recommendations. The Government has partially implemented 70% (October 2011–50%) of the remaining recommendations.[4]

## 5.0 SUMMARY

The Committee continues to discuss broader issues including strategic planning, key risks to achieving goals and objectives, and performance measurement. Through these discussions, the Committee fosters a more open and accountable government and better management of government operations.

Our Office will continue to help the Committee carry out its important responsibilities. To encourage the implementation of the Committee's recommendations, our Office will continue to monitor the status of the Committee's recommendations.

## 6.0 STATUS OF PREVIOUS COMMITTEE RECOMMENDATIONS

The following exhibit provides an update on recommendations agreed to by the Committee that are not yet implemented and are not discussed earlier in this report.

| Committee Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **First Nations, Métis, and Northern Affairs** (now under the responsibility of the Ministry of Government Relations) (2007 Report – Volume 3) | | |
| 2009 | 10-2 that the Ministry of First Nations and Métis Relations' human resource plan more clearly outline gaps in current resources (e.g., number and types of positions) and provide details on plans to implement strategies to meet human resource needs (including timeframes, responsibilities and financial resources). | **Partially Implemented**<br>(as of March 31, 2012)<br>We plan to follow up in 2013 during the audit of the Ministry of Government Relations. |
| **Government Services** (now under the responsibility of the Ministry of Central Services) | | |
| 2009 | 9-3 that the Ministry of Government Services establish and use policies to monitor its fuel expenses made with its credit cards to ensure fuel purchases are for government purposes.<br>(2008 Report – Volume 3) | **Implemented**<br>(as of March 31, 2012) |

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[4] Calculations are based on the Committee's recommendations up to and including the Third Report to the 26th Legislature at September 6, 2011.

| Committee Report Year | Outstanding Recommendation | Status |
|---|---|---|
| 2009 | 19-3 that the Ministry of Government Services have a complete business continuity plan.<br>(2007 Report – Volume 3) | **Implemented**<br>(as of March 31, 2012) |
| 2011 | 10-3 that the Ministry of Government Services sign an adequate agreement on disaster recovery and security with the Information Technology Office.<br>(2010 Report – Volume 2) | **Implemented**<br>(as of March 31, 2012) |
| 2011 | 10-4 that the Ministry of Government Services adequately monitor the security of its information technology systems and data.<br>(2010 Report – Volume 2) | **Partially Implemented**<br>(as of March 31, 2012) |
| **Government Services–Processes to Maintain Vehicle Fleet** (2008 Report – Volume 1) | | |
| 2009 | 6-1 that the Ministry of Central Services establish processes to ensure its vehicle fleet meets the safety standards of *The Traffic Safety Act*. | **Partially implemented**<br>(as of September 30, 2010)<br>Follow-up planned for 2013. |
| 2009 | 6-2 that the Ministry of Central Services keep reliable maintenance and repairs records for its vehicles. | **Partially implemented**<br>(as of September 30, 2010)<br>Follow-up planned for 2013. |
| 2009 | 6-3 that the senior management of the Ministry of Central Services receive reports to verify that vehicles are maintained in a safe condition and in an economical manner. | **Not implemented**<br>(as of September 30, 2010)<br>Follow-up planned for 2013. |
| **Government Services–Cross-Government Infrastructure** (2003 Report – Volume 3) | | |
| 2005 | 12-3 that the Ministry of Government Services (formerly Saskatchewan Property Management Corporation) should provide the public with additional information about the extent to which the use of its key infrastructure (i.e. facilities, vehicles, and aircraft) achieved its operational and financial plans, and explain significant differences between actual and planned results. | **Implemented**<br>(as of March 31, 2012)<br>The 2011-12 annual report of the Ministry provides the public with information about the extent to which the Ministry's key infrastructure achieved its operational and financial plans, and includes explanations of significant differences between actual and planned results. |
| **Government Services–Processes to Maintain Buildings** (2009 Report – Volume 1) | | |
| 2011 | 6-1 that the Ministry of Central Services establish and implement processes to ensure the information in its buildings is accurate, complete and available. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-2 that the Ministry of Central Services approve adequate maintenance plans for all the buildings the Ministry owns. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-3 that the Ministry of Central Services sign adequate agreements with its clients that describe each of the parties' responsibilities. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-4 that the Ministry of Central Services have processes so that maintenance is effectively carried out on all of its buildings. | **Partially implemented**<br>(as of March 31, 2011) |
| 2011 | 6-5 that the Ministry of Central Services provide senior management adequate reports to monitor the process to maintain its buildings. | **Partially implemented**<br>(as of March 31, 2011) |

| Committee Report Year | Outstanding Recommendation | Status |
|---|---|---|
| **Justice** | | |
| 2007 | 13-4 that the Ministry of Justice complete and implement its business continuity plan.<br>(2005 Report – Volume 3) | **Partially Implemented**<br>(as of March 31, 2012) |
| 2009 | 13-5 that the Ministry of Justice sign an adequate agreement on disaster recovery and security with the Information Technology Office.<br>(2008 Report – Volume 3) | **Implemented**<br>(as of March 31, 2012) |
| 2009 | 13-7 that the Ministry of Justice adequately monitor the security of its information technology systems and data.<br>(2008 Report – Volume 3) | **Partially Implemented**<br>(as of March 31, 2012) |
| N/A | That the Ministry of Justice follow its processes to prepare and approve bank reconciliations.<br>(2011 Report – Volume 2) | **Implemented**<br>(as of March 31, 2012) |
| **Public Service Commission** | | |
| 2011 | 9-1 that the Public Service Commission amend its service level agreements (SLAs) with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll, approving payroll payments, and investigating payroll differences).<br>(2010 Report – Volume 1) | **Partially Implemented**<br>(as of January 31, 2012) |
| 2011 | 9-3 that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review.<br>(2010 Report – Volume 1) | **Partially Implemented**<br>(as of January 31, 2012) |
| 2011 | 18-1 that the Public Service Commission follow its established procedures for removing user access to its computer systems and data.<br>(2010 Report – Volume 2) | **Not Implemented**<br>(as of March 31, 2012) |

# Appendix 1
# List and Status of Agencies Subject to Examination under *The Provincial Auditor Act*

Appendix 1 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies which administer public money that were subject to audit examination under *The Provincial Auditor Act* at July 31, 2012.

This Appendix includes the status of those audits at October 31, 2012. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at a few agencies. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate incomplete audits, but rather include their results in future reports.

| Agency | Fiscal Year End | Status at October 31, 2012[1] | Significant Issues Reported[2] |
|---|---|---|---|
| **Government of Saskatchewan – Summary Financial Statements** | March 31 | Complete | Yes/2012 Rpt V2 |
| **Ministries and Secretariats:** | | | |
| Enterprise and Innovation programs (now part of Ministry of Economy) | March 31 | Complete | No |
| Ministry of Advanced Education, Employment and Immigration (now Ministry of Advanced Education) | March 31 | Complete | Yes/2012 Rpt V2 |
| Ministry of Agriculture | March 31 | Complete | Yes/2012 Rpt V2 |
| Ministry of Corrections, Public Safety and Policing (now part of Ministry of Justice and Ministry of Government Relations) | March 31 | Complete | Yes/2012 Rpt V2 |
| Ministry of Education | March 31 | Complete | Yes/ 2012 Rpt V1 & V2 |
| Ministry of Energy and Resources (now part of Ministry of the Economy) | March 31 | Complete | Yes/ 2012 Rpt V1 & V2 |
| Ministry of Environment | March 31 | Complete | Yes/2012 Rpt V2 |
| Ministry of Finance | March 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Ministry of First Nations and Métis Relations (now part of Ministry of Government Relations) | March 31 | Complete | No |
| Ministry of Government Services (now Ministry of Central Services) | March 31 | Complete | Yes/2012 Rpt V2 |
| Ministry of Health | March 31 | Complete | Yes/2012 Rpt V2 |
| Ministry of Highways and Infrastructure | March 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Ministry of Justice and Attorney General (now Ministry of Justice) | March 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Ministry of Labour Relations and Workplace Safety | March 31 | Complete | Yes/2012 Rpt V2 |
| Ministry of Municipal Affairs (now part of Ministry of Government Relations) | March 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Ministry of Social Services | March 31 | Complete | Yes/2012 Rpt V1 & V2 |

| Agency | Fiscal Year End | Status at October 31, 2012[1] | Significant Issues Reported[2] |
|---|---|---|---|
| Ministry of Tourism, Parks, Culture, and Sport (now Ministry of Parks, Culture and Sport) | March 31 | Complete | Yes/2012 Rpt V2 |
| Executive Council | March 31 | Complete | No |
| Information Technology Office (now part of Ministry of Central Services) | March 31 | Complete | Yes/2012 Rpt V2 |
| Provincial Capital Commission, Office of the (now part of Ministry of Parks, Culture and Sport) | March 31 | Complete | No |
| Public Service Commission (now part of Ministry of Central Services) | March 31 | Complete | Yes/2012 Rpt V1 & V2 |
| **Crown Agencies:** | | | |
| 101005716 Saskatchewan Ltd. | December 31 | Note 1 | |
| 101039181 Saskatchewan Ltd. | December 31 | Note 1 | |
| 101047589 Saskatchewan Ltd. | March 31 | Complete | No |
| 101047593 Saskatchewan Ltd. | March 31 | Complete | No |
| 101069101 Saskatchewan Ltd. | December 31 | Note 1 | |
| 617275 Saskatchewan Ltd. | December 31 | Note 1 | |
| Agricultural Credit Corporation of Saskatchewan | March 31 | Complete | No |
| Agricultural Implements Board | March 31 | Complete | No |
| Avonlea Holding, Inc. | December 31 | Note 1 | |
| Battleford International, Inc. | December 31 | Note 1 | |
| Bayhurst Energy Services Corporation | December 31 | Complete | No |
| Bayhurst Gas Limited | December 31 | Complete | No |
| Bruno Holdings Inc. | December 31 | Note 1 | |
| Carlton Trail Regional College | June 30 | Complete | Yes/2012 Rpt V2 |
| Chinook School Division No. 211 | August 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Christ the Teacher Roman Catholic Separate School Division No. 212 | August 31 | Complete | Yes/2012 Rpt V1 |
| CIC Asset Management Inc. | December 31 | Complete | No |
| CIC Foods Inc. | December 31 | Note 1 | |
| CIC FTLP Holdings Inc. | December 31 | Note 1 | |
| CIC FTMI Holdings Inc. | December 31 | Note 1 | |
| CIC OSB Products Inc. | December 31 | Note 1 | |
| CIC Pulp Ltd. | December 31 | Note 1 | |
| CIC PVF Holdings Inc. | December 31 | Note 1 | |
| CIC WLSVF Holdings Inc. | December 31 | Note 1 | |
| Coachman Insurance Company | December 31 | Complete | No |
| Community Initiatives Fund | March 31 | Complete | No |
| Conseil des Ecoles Fransaskoises School Division No. 310 | August 31 | Complete | Yes/2012 Rpt V1 |
| Creighton School Division No. 111 | August 31 | Complete | Yes/2012 Rpt V1 |
| Crown Investments Corporation of Saskatchewan | December 31 | Complete | No |
| Cumberland Regional College | June 30 | Rotational | |
| Cypress Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| DirectWest Canada Inc. | December 31 | Note 1 | |
| DirectWest Corporation | December 31 | Complete | No |
| eHealth Saskatchewan (formerly Saskatchewan Health Information Network | March 31 | Complete | Yes/2012 Rpt V2 |

| Agency | Fiscal Year End | Status at October 31, 2012[1] | Significant Issues Reported[2] |
|---|---|---|---|
| Englefeld Protestant Separate School Division No. 132 | August 31 | Complete | Yes/2012 Rpt V1 |
| Enterprise Saskatchewan | March 31 | Complete | No |
| First Nations and Métis Fund Inc. | December 31 | Complete | No |
| Five Hills Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Global Transportation Hub Authority, The | March 31 | Complete | No |
| Good Spirit School Division No. 204 | August 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Government House Foundation, The | March 31 | Complete | No |
| Gradworks Inc. | December 31 | Complete | No |
| Great Plains College | June 30 | Complete | Yes/2012 Rpt V2 |
| HARO Financial Corporation | August 31 | Note 1 | |
| Health Quality Council | March 31 | Complete | Yes/2012 Rpt V2 |
| Heartland Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Holy Family Roman Catholic Separate School Division No. 140 | August 31 | Complete | Yes/2012 Rpt V1 |
| Holy Trinity Roman Catholic Separate School Division No. 22 | August 31 | Complete | Yes/2012 Rpt V1 |
| Horizon School Division No. 205 | August 31 | Complete | Yes/2012 Rpt V1 |
| Ile a la Crosse School Division No. 112 | August 31 | Complete | Yes/2012 Rpt V1 |
| Information Services Corporation of Saskatchewan | December 31 | Complete | No |
| Innovation Saskatchewan (now part of Ministry of the Economy) | March 31 | Complete | No |
| Insurance Company of Prince Edward Island | December 31 | Complete | No |
| Investment Saskatchewan Holdings Inc. | December 31 | Note 1 | |
| Investment Saskatchewan Swine Inc. | December 31 | Note 1 | |
| Keewatin Yatthé Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Kelsey Trail Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Law Reform Commission of Saskatchewan | March 31 | Complete | No |
| Light of Christ Roman Catholic Separate School Division No. 16 | August 31 | Complete | Yes/2012 Rpt V1 |
| Liquor and Gaming Authority | March 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Liquor Board Superannuation Commission | December 31 | Complete | Note 2 |
| Living Sky School Division No. 202 | August 31 | Complete | Yes/2012 Rpt V1 |
| Lloydminster Roman Catholic Separate School Division No. 89 | August 31 | Complete | Yes/2012 Rpt V1 |
| Lloydminster Public School Division No. 99 | August 31 | Complete | Yes/2012 Rpt V1 |
| Mamawetan Churchill River Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Manalta Investment Company Ltd. | December 31 | Note 1 | |
| Many Islands Pipe Lines (Canada) Limited | December 31 | Complete | No |
| Métis Development Fund | December 31 | Complete | No |
| Municipal Employees' Pension Commission | December 31 | Complete | No |
| Municipal Financing Corporation of Saskatchewan | December 31 | Complete | No |
| Municipal Potash Tax Sharing Administration Board | December 31 | Complete | No |
| Nokomis Holding, Inc. | December 31 | Note 1 | |
| North East School Division No. 200 | August 31 | Complete | Yes/2012 Rpt V1 |

| Agency | Fiscal Year End | Status at October 31, 2012[1] | Significant Issues Reported[2] |
|---|---|---|---|
| North Sask. Laundry & Support Services Ltd. | March 31 | Complete | Yes/2012 Rpt V2 |
| North West Regional College | June 30 | Rotational | |
| North West School Division No. 203 | August 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Northern Lights School Division No. 113 | August 31 | Complete | Yes/2012 Rpt V1 |
| Northlands College | June 30 | Rotational | |
| Northpoint Energy Solutions Inc. | December 31 | Complete | Yes/2012 Rpt V1 |
| Operator Certification Board | March 31 | Complete | No |
| Owners, The: Condominium Corporation No. 101100609 | March 31 | Complete | No |
| Parkland Regional College | June 30 | Rotational | |
| Physician Recruitment Agency of Saskatchewan | March 31 | Complete | No |
| Power Corporation Superannuation Plan | December 31 | Complete | Yes/2012 Rpt V1 Note 2 |
| Power Greenhouses Inc. | December 31 | Complete | No |
| Prairie Agricultural Machinery Institute | March 31 | Complete | No |
| Prairie North Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Prairie South School Division No. 210 | August 31 | Complete | Yes/2012 Rpt V1 |
| Prairie Spirit School Division No. 206 | August 31 | Complete | Yes/2012 Rpt V1 |
| Prairie Valley School Division No. 208 | August 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Prince Albert Parkland Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Prince Albert Roman Catholic Separate School Division No. 6 | August 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Public Employees Pension Plan | March 31 | Complete | No |
| Public Service Superannuation Board | March 31 | Complete | No |
| Qu'Appelle Holding, Inc. | December 31 | Note 1 | |
| Regina Qu'Appelle Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Regina Roman Catholic Separate School Division No. 81 | August 31 | Complete | Yes/2012 Rpt V1 |
| Regina School Division No. 4 | August 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Apprenticeship and Trade Certification Commission | June 30 | Complete | No |
| Saskatchewan Archives Board, The | March 31 | Complete | No |
| Saskatchewan Arts Board, The | March 31 | Complete | No |
| 3sHealth (formerly Saskatchewan Association of Health Organizations) | March 31 | Complete | Yes/2012 Rpt V2 |
| Saskatchewan Auto Fund | December 31 | Complete | No |
| Saskatchewan Cancer Agency | March 31 | Complete | No |
| Saskatchewan Centre of the Arts | March 31 | Complete | No |
| Saskatchewan Crop Insurance Corporation | March 31 | Complete | Yes/2012 Rpt V2 |
| Saskatchewan Development Fund Corporation | December 31 | Complete | No |
| Saskatchewan First Call Corporation | December 31 | Note 1 | |
| Saskatchewan Gaming Corporation | December 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Government Growth Fund III Ltd. | December 31 | Complete | No |
| Saskatchewan Government Insurance | December 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Government Insurance Superannuation Plan | December 31 | Complete | No |
| Saskatchewan Grain Car Corporation | July 31 | Complete | No |
| Saskatchewan Health Research Foundation | March 31 | Complete | No |

| Agency | Fiscal Year End | Status at October 31, 2012[1] | Significant Issues Reported[2] |
|---|---|---|---|
| Saskatchewan Heritage Foundation | March 31 | Complete | No |
| Saskatchewan Housing Corporation | December 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Immigrant Investor Fund Inc. | December 31 | Complete | No |
| Saskatchewan Impaired Driver Treatment Centre Board of Governors | March 31 | Complete | No |
| Saskatchewan Indian Gaming Authority Inc. | March 31 | Complete | Yes/2012 Rpt V2 |
| Saskatchewan Institute of Applied Science and Technology | June 30 | Complete | No |
| Saskatchewan Legal Aid Commission | March 31 | Complete | No |
| Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation | March 31 | Complete | No |
| Saskatchewan Opportunities Corporation | December 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Pension Annuity Fund | March 31 | Complete | No |
| Saskatchewan Pension Plan | December 31 | Complete | No |
| Saskatchewan Power Corporation | December 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Research Council | March 31 | Complete | No |
| Saskatchewan Rivers School Division No. 119 | August 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Telecommunications | December 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Telecommunications Holding Corporation | December 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Telecommunications International, Inc. | December 31 | Complete | No |
| Saskatchewan Telecommunications International (Tanzania) Ltd. | December 31 | Note 1 | |
| Saskatchewan Telecommunications Pension Plan | December 31 | Complete | No |
| Saskatchewan Transportation Company | December 31 | Complete | No |
| Saskatchewan Valley Potato Corporation | December 31 | Note 1 | |
| Saskatchewan Water Corporation | December 31 | Complete | Yes/2012 Rpt V1 |
| Saskatchewan Watershed Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Saskatoon Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Saskatoon School Division No. 13 | August 31 | Complete | Yes/2012 Rpt V1 |
| SaskEnergy Incorporated | December 31 | Complete | No |
| SaskEnergy International Incorporated | December 31 | Note 1 | |
| SaskEnergy Nova Scotia Holdings Ltd. | December 31 | Note 1 | |
| SaskPower International Inc. | December 31 | Note 1 | |
| SaskTel International Consulting, Inc. | December 31 | Note 1 | |
| SaskTel Investments Inc. | December 31 | Note 1 | |
| SecurTek Monitoring Solutions Inc. | December 31 | Complete | No |
| SGC Holdings Inc. | December 31 | Complete | No |
| SGI CANADA Insurance Services Ltd. | December 31 | Complete | No |
| Shellbrook Holding, Inc. | December 31 | Note 1 | |
| South East Cornerstone School Division No. 209 | August 31 | Complete | Yes/2012 Rpt V1 |
| Southeast Regional College | June 30 | Complete | No |
| St. Paul's Roman Catholic Separate School Division No. 20 | August 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Sun Country Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Sun West School Division No. 207 | August 31 | Complete | Yes/2012 Rpt V1 |
| Sunrise Regional Health Authority | March 31 | Complete | Yes/2012 Rpt V2 |
| Swan Valley Gas Corporation | December 31 | Note 1 | |

| Agency | Fiscal Year End | Status at October 31, 2012[1] | Significant Issues Reported[2] |
|---|---|---|---|
| Teachers' Superannuation Commission | June 30 | Complete | No |
| Technical Safety Authority of Saskatchewan, The | June 30 | Complete | No |
| TecMark International Commercialization Inc. | March 31 | Complete | No |
| Tourism Saskatchewan | September 30 | Delayed | |
| TransGas Limited | December 31 | Complete | No |
| University of Regina Crown Foundation | April 30 | Complete | No |
| University of Saskatchewan Crown Foundation | April 30 | Complete | No |
| Water Appeal Board | March 31 | Complete | No |
| Western Development Museum | March 31 | Complete | No |
| Workers' Compensation Board | December 31 | Complete | No |
| Pension Plan for Employees of the Saskatchewan Workers' Compensation Board | December 31 | Complete | No |
| **Special purpose and trust funds:** | | | |
| Capital Pension Plan | December 31 | Complete | No |
| Commercial Revolving Fund | March 31 | Complete | No |
| Correctional Facilities Industries Revolving Fund | March 31 | Complete | No |
| Criminal Property Forfeiture Fund | March 31 | Complete | No |
| Crop Reinsurance Fund of Saskatchewan | March 31 | Complete | No |
| Doukhobors of Canada C.C.U.B. Trust Fund | May 31 | Complete | No |
| Extended Health Care Plan | December 31 | Complete | Yes/2012 Rpt V1 |
| Extended Health Care Plan for Certain Other Employees | December 31 | Complete | No |
| Extended Health Care Plan for Certain Other Retired Employees | December 31 | Complete | No |
| Extended Health Care Plan for Retired Employees | December 31 | Complete | No |
| Fish and Wildlife Development Fund | March 31 | Complete | No |
| General Revenue Fund | March 31 | Complete | Yes/2012 Rpt V2 |
| Growth and Financial Security Fund | March 31 | Note 3 | |
| Horned Cattle Fund | March 31 | Complete | No |
| Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund | March 31 | Complete | No |
| Institutional Control Monitoring and Maintenance Fund | March 31 | Complete | No |
| Institutional Control Unforeseen Events Fund | March 31 | Complete | No |
| Judges of the Provincial Court Superannuation Plan | March 31 | Complete | No |
| Livestock Services Revolving Fund | March 31 | Complete | No |
| Northern Municipal Trust Account | December 31 | Complete | Yes/2012 Rpt V1 |
| Oil and Gas Orphan Fund | March 31 | Complete | No |
| Pastures Revolving Fund | March 31 | Complete | No |
| Prince of Wales Scholarship Fund | March 31 | Complete | No |
| Provincial Mediation Board Trust Accounts | March 31 | Complete | No |
| Public Employees Benefits Agency Revolving Fund | March 31 | Complete | Yes/2012 Rpt V1 |
| Public Employees Deferred Salary Leave Fund | December 31 | Complete | No |
| Public Employees Dental Fund | December 31 | Complete | No |
| Public Employees Disability Income Fund | December 31 | Complete | No |
| Public Employees Group Life Insurance Fund | December 31 | Complete | No |

| Agency | Fiscal Year End | Status at October 31, 2012[1] | Significant Issues Reported[2] |
|---|---|---|---|
| Public Guardian and Trustee for Saskatchewan | March 31 | Complete | No |
| Queen's Printer Revolving Fund | March 31 | Complete | No |
| Residential Tenancies, Office of - Director's Trust Account | March 31 | Complete | No |
| SAHO Core Dental Plan | December 31 | Complete | No |
| SAHO Disability Income Plan – CUPE | December 31 | Complete | No |
| SAHO Disability Income Plan – SEIU | December 31 | Complete | No |
| SAHO Disability Income Plan – General | December 31 | Complete | No |
| SAHO Disability Income Plan – SUN | December 31 | Complete | No |
| SAHO Group Life Insurance Plan | December 31 | Complete | No |
| SAHO In-scope Extended Health/ Enhanced Dental Plan | December 31 | Complete | No |
| SAHO Master Trust Combined Investment Fund | December 31 | Complete | No |
| SAHO Out-of-scope Extended Health/ Enhanced Dental Plan | December 31 | Complete | No |
| Sask 911 Account | March 31 | Complete | No |
| Saskatchewan Agricultural Stabilization Fund | March 31 | Complete | No |
| Saskatchewan Financial Services Commission Fund (now the Financial and Consumer Affairs Authority) | March 31 | Complete | No |
| Saskatchewan Government Insurance Service Recognition Plan | December 31 | Complete | No |
| Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts | March 31 | Complete | No |
| Saskatchewan Power Corporation Designated Employee Benefit Plan | December 31 | Complete | No |
| Saskatchewan Power Corporation Severance Pay Credits Plan | December 31 | Complete | No |
| Saskatchewan Research Council Employees' Pension Plan | December 31 | Complete | No |
| Saskatchewan Snowmobile Fund | March 31 | Complete | No |
| Saskatchewan Student Aid Fund | March 31 | Complete | No |
| Saskatchewan Water Corporation Retirement Allowance Plan | December 31 | Complete | No |
| Saskatchewan Watershed Authority Retirement Allowance Plan | March 31 | Complete | No |
| SaskEnergy Retiring Allowance Plan | December 31 | Complete | No |
| SaskPower Supplementary Superannuation Plan | December 31 | Complete | No |
| School Division Tax Loss Compensation Fund | March 31 | Complete | No |
| Social Services Central Trust Account | March 31 | Complete | No |
| Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund | March 31 | Complete | No |
| Social Services Valley View Centre Residents' Trust Account | March 31 | Complete | No |
| Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission | December 31 | Complete | No |
| Teacher's Dental Plan | December 31 | Complete | Yes/2012 Rpt V1 & V2 |
| Teacher's Disability Plan | June 30 | Complete | No |
| Teacher's Group Life Plan | August 31 | Complete | No |
| Technology Supported Learning Revolving Fund | March 31 | Complete | No |
| Training Completions Fund | March 31 | Complete | No |

| Agency | Fiscal Year End | Status at October 31, 2012[1] | Significant Issues Reported[2] |
|---|---|---|---|
| Transportation Partnerships Fund | March 31 | Complete | No |
| Victims' Fund | March 31 | Complete | No |
| **Offices of the Legislative Assembly:** | | | |
| Advocate for Children and Youth, Office of the (formerly Children's Advocate, Office of the) | March 31 | Complete | No |
| Board of Internal Economy/Legislative Assembly Service | March 31 | Complete | No |
| Chief Electoral Office | March 31 | Delayed | |
| Conflict of Interest Commissioner, Office of the | March 31 | Complete | No |
| Information and Privacy Commissioner, Office of the | March 31 | Complete | No |
| Ombudsman, Office of the | March 31 | Complete | No |
| **Other agencies subject to examination under *The Provincial Auditor Act*:** | | | |
| Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974 | December 31 | Complete | No |
| Pension Plan for the Academic and Administrative Employees of the University of Regina | December 31 | Complete | Yes/2012 Rpt V2 |
| University of Regina Master Trust | December 31 | Complete | Yes/2012 Rpt V2 |
| University of Regina Non-Academic Pension Plan | December 31 | Complete | Yes/2012 Rpt V2 |
| University of Regina, The | April 30 | Complete | Yes/2012 Rpt V2 |
| University of Saskatchewan 1999 Academic Pension Plan | December 31 | Complete | No |
| University of Saskatchewan 2000 Academic Money Purchase Pension Plan | December 31 | Complete | No |
| University of Saskatchewan Academic Long-term Disability Plan | December 31 | Complete | No |
| University of Saskatchewan Academic Employees' Pension Plan | December 31 | Complete | No |
| University of Saskatchewan and Federated Colleges Non-Academic Pension Plan | December 31 | Complete | No |
| University of Saskatchewan, The | April 30 | Complete | No |
| Western Canada Lottery Corporation | March 31 | Note 4 | No |

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.

Note 2: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the *Superannuation (Supplementary Provisions) Act*. Our 2001 Spring Report contains further information on this matter.

Note 3: The Ministry of Finance does not prepare financial statements for this Fund.

Note 4: Effective for the year ending March 31, 2012, the Ministry of Parks, Culture and Sport has provided the office with access to information from Western Canada Lottery Corporation.

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[1] "Complete" – the audit was complete at October 31, 2012.
"Delayed" – the audit was delayed.
"Rotational" – for a few sectors (e.g., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at October 31, 2012 as "Complete". We list the other entities as "Rotational".

[2] "No" - no significant issues were reported.
"Yes/2012 Rpt V1" – significant issues are reported in our 2012 Report – Volume 1.
"Yes/2012 Rpt V2" – significant issues are reported in our 2012 Report – Volume 2.

# Appendix 2
# Samples of Opinions We Form on Ministries, Crown Agencies, and Crown-Controlled Corporations

Our mission states: "To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources." To fulfill our mission we examine and provide independent assurance (conclusions) and advice on:

- The adequacy of the Government's management of public resources
- The Government's compliance with legislative authorities
- The reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

## 1. The Adequacy of the Government's Management of Public Resources

I have audited [Crown agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of [Crown agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the CICA Handbook - Assurance. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

## 2. The Government's Compliance with Legislative Authorities

I have made an examination to determine whether [Crown agency X], complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [Year end]:

> *(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with standards for assurance engagements published in the CICA Handbook - Assurance, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [Year end].

## 3. The Reliability of Financial Statements

I have audited the accompanying financial statements of [Crown agency X], which comprise the [balance sheet] as at [Year end], and the [income statement], [statement of changes in equity] and [cash flow statement] for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].